The Empire Club of Canada

Founded 1903

Addresses 1986-1987

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The Empire Club
# of Canada

1986-1987
83rd Year

HER MAJESTY, QUEEN ELIZABETH II
HIS ROYAL HIGHNESS, PRINCE PHILIP,
DUKE OF EDINBURGH
on the occasion of their 40th wedding anniversary.

The Empire Club Of Canada

Founded 1903

Addresses 1986-1987

GOD SAVE THE QUEEN

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The Empire Club of Canada
Royal York Hotel
100 Front Street West
Toronto, Ontario M5J 1E3
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1950-1951	Sydney Hermant
†1951-1952	D.H. Gibson, C.B.E.
1952-1953	John W.F. Griffin
1953-1954	Arthur E.M. Inwood
1954-1955	James H. Joyce
†1955-1956	C.C. Goldring, D. PAED., LL.D.

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†1957-1958	LCol. W.H. Montague, O.B.E.
1958-1959	MGen. B.J. Legge, C.M.M., K.ST.J., E.D., C.D., Q.C.
1959-1960	Harold R. Lawson, F.S.A.
1960-1961	Hon. Alexander Stark, Q.C.
†1961-1962	Dr. Z.S. Phimister, LL.D.
†1962-1963	Dr. J. Palmer Kent, Q.C.
1963-1964	Major Arthur J. Langley, C.D.
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1985-1986	Harry T. Seymour

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†*Deceased*

NONA MACDONALD
President, 1986-1987

The Empire Club of Canada

PRESIDENT'S FOREWORD

Since its founding in 1903, the Empire Club has published a book of the addresses given during each presidential year. The little red volume has served as a valuable reference and is distributed free to our 2800 members and to 4500 libraries and educational institutions.

This project, under the beneficent aegis of the Empire Club Foundation, is funded by the Club, corporations and individuals. The 1986-87 edition contains the texts of 40 eminent speakers who brought their ideas and eloquence to our platform.

It is timely to note that a new audience has developed in the last decade. As one of Canada's most prestigious public affairs forums, the Club attracts reporters from television, radio and the print press. Wired newsrooms carry the speaker's message across the country and beyond our borders. LIGHTS ... CAMERA ... ACTION ... the Empire Club is "ON THE AIR" with a LIVE telecast which thousands of viewers may share. Video and audio tapes and scrapbooks of press clips now occupy shelf space next to the yearbook collection in our Club headquarters.

Despite this electronic and media invasion, the Club's traditions endure. Protocol, fellowship and time-tested civilities are maintained. These qualities, integral to the spirit of the Club, have contributed to the rewarding experience of being its second woman president. I cherish my association with the past presidents, directors, and volunteers, and extend my appreciation for their enthusiasm and support.

Club presidents may fade away, but the record of the yearbook remains — a chapter in our country's history. As you peruse the words and photographs herein, may you enjoy and reflect on this account of 1986-87 at the Empire Club of Canada.

Nona Macdonald
President 1986-87.

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Photographs: Selected from Head Table Receptions and Special Events (in centre of book).

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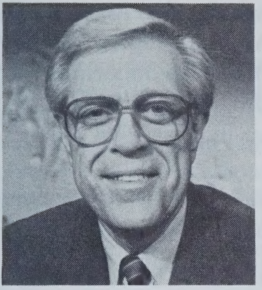


June 26, 1986
Joint meeting with
The Royal
Commonwealth Society
(Toronto Branch).
Dominion of Canada
Day celebration.

Knowlton Nash

Television Journalist, CBC

"TELEVISION NEWS: HISTORY ON THE RUN"

Chairman: **Nola Crewe**
Vice-Chairman, The Royal Commonwealth Society (Toronto Branch)

The Hon Lincoln M. Alexander, P.C.,Q.C.,K.St.J.,B.A.

Mr. Alexander

Let me say how pleased I am, to have this opportunity to be with you as you celebrate a tradition that has been going on for some time. When The Royal Commonwealth Society and The Empire Club of Canada get together, it is always a meaningful celebration, but this even more so because July the First is almost upon us.

You know, when I think of this magnificent country that we live in, we're still blessed; we're blessed with human resources, we're blessed with strength in our diversity, we're blessed with freedoms, we're blessed with a landmass that has most of the precious metals in the world, we're blessed with technical excellence, expertise; we're blessed with so many things which makes us the envy of many countries and this is why so many people want to come to this beautiful land of ours, the land of hope, the land of opportunity.

I know, that, as a result of all these things that we possess, that we so nurture; that we stand tall, we stand high within the family of nations. I'm just so happy to have this opportunity to be with you, because I think in pursuing that which we have, we're learning to live with one another in trust, love, respect and understanding.

I'm delighted to see The Duke of Edinburgh Award Winners here, I am part of that, and I salute you and I commend you for the excellent job you are doing. You are certainly leaders of the future.

At this time, I'm so happy to stand here as Her Majesty's representative in and for the Province of Ontario to bring you sincere greetings and I can do that without any qualm. I couldn't do that before, because I hadn't met her in a very formal way, but I'm just returning from England and let me tell you, that that was one of the most interesting experiences of my life, when I had the opportunity of meeting Her Gracious Majesty. She is really warm, she is witty, she laughs, she smiles and I'm so pleased that I'm blessed with being part, if you will, of her, of that extended family. Sincerest congratulations for bringing this day together, Miss Macdonald, Mrs. Crewe, and with that I just want you to stand and raise your glasses while we drink a toast to our beautiful Canada.

Ladies and gentlemen: To Canada. Thank you very much, and may God continue to watch over and bless each and every one of you.

Introduction:

Nola Crewe

Our guest today has one of the best-known faces in Canada. While two hundred and fifty people are gathered here today to listen to him, this evening eight thousand times as many people will gather in front of their television sets to listen to him on The National. That is our most-watched program in Canada and it follows in a grand Canadian tradition of Lorne Greene, Earl Cameron, and now, Knowlton Nash. But the role of star anchorman is a relatively new one for our guest.

Forty years ago Knowlton Nash entered the news business with British United Press. Then, in 1956, he started reporting for the CBC from Washington. Television and news reporting have seen many changes, and Knowlton Nash has helped to make those changes happen. His career has spanned continents, uprisings and campaigns. He interviewed Presidents Eisenhower, Kennedy and Johnson, as he covered their campaigns from one end of the United States to the other. And, in Canada, by bus, train, plane and boat and anything else that would take him, he covered *our* campaigns. If they had had a frequent-flyer program in those days, our guest would have had to take an early retirement to take advantage of all the trips he would have amassed. However, he didn't retire.

In 1969, he left our television screens and the world's trouble spots for an even more adventurous locale: he entered CBC management as the Director of Television News, Current Affairs, and later, Information Programming. And there, during a technicians' strike, he first read The National. When a new anchorman was needed, the news editors asked him to take it on. The anchor job had changed; it no longer was just reading the news that the editors had prepared. It now required someone who knew the news, who had been to all the strange trouble spots of the world and who could ask intelligent, probing questions off the cuff when it was required. For those of you who have read our guest's book, *History on the Run*, you know that he had those qualifications. For all of us who look to him to set our minds at rest each evening, we know this is the man who is, and always has been, there when it all happened.

Knowlton Nash

The English poet Matthew Arnold once wrote that "Journalism is literature in a hurry." I'm not at all sure about it being literature, but, these days, it's certainly accurate to say in a paraphrase, that journalism is history on the run.

What I'd like to do is to make two or three flat, and probably provocative statements about the news business, about journalism, about our efforts to write "history on the run."

First, I believe the media are the glue that holds together our democratic society.

Second, I believe television is by far the most important element in that glue.

And third, I believe we in journalism are doing a better job for the public today than ever before. But it's not good enough.

There are all kinds of power centres in any democracy: the judiciary, the government mandarins, the elected representatives, the Establishment, the business community, the unions. But to my mind, what binds it all together, what provides the glue, is the media.

I think that for a number of reasons. The *main* reason is that, only through the media, can the governing communicate with the governed in any mass sense. There simply is no other way for those who govern us to send messages out to the mass of the people except through the media. And, too, there is simply no other way for the mass of the people to send messages *back* to Ottawa or Washington or London, other than through the media, except, of course, at election time.

This critical "glue" role of the media is, incidentally, something that really has happened only in this century. It evolved out of the transfer of power three or so generations ago from the classes to the masses. It's been particularly so since the arrival of television 30-odd years ago.

A real, participatory democracy today simply can't survive without a free, independent and professional and socially responsible media.

We stake everything on a rational dialogue by an informed public.

It is precisely because the media provide the raw material for that dialogue that society's leaders try to manipulate the media.

It's why political leaders alternately woo and castigate the media. They want to shape our reporting to their objective. And their objective, of course, is to win support, not necessarily to be fair, or sometimes even accurate, in what they say.

Prime Ministers, Presidents, and all political leaders, view managing the media as a vital precondition to their domination of the legislature or the parliament, the public and the whole political process. The most vivid, current example of that is South Africa which has imposed censorship to try to force the media to report only *its* views on apartheid.

Whether it's done as blatantly as in South Africa, or more subtly, trying to manage the media inevitably puts the politician and the journalist smack into a tempestuous, never-ending, delicate relationship. The politician's job is trying to sell something to the public, as indeed are business and labour leaders, or social activists of all kinds – even doctors – who seek to persuade the public to *their* point of view.

Our job in the media is different. We're, in effect, the informational marketplace where the politicians and others come to sell their ideas to the public. We report what they say, we provide some context, and we may occasionally note where some are economizing on the truth, as all too often happens these days.

So, in effect, we provide that marketplace for the *sellers* of ideas, and the *buyers*, the public in general. And, to my mind at least, our loyalty lies first of all with the buyers, with the public in general. I've always felt that the media are, in effect, an agent for the public in seeking out and providing information on what's happening, where, when and why.

Inevitably, though, the media and the politicians and others are in a love-hate relationship, which, I suspect, we both enjoy, although we can be pretty critical of each other at times. And sometimes *surprised* by each other, too. I was surprised the other day in passing by one politician friend's office where I noticed a somewhat cynical sign on his wall that read:

"Old age and treachery will triumph over youth and idealism every time."

I won't say what party he was with, but it was a revealing commentary on his thoughts.

One problem the media have with politicians is trying to decipher precisely what they mean in some of their statements. For instance, what on earth did Premier Brian Peckford really mean when he spoke a while back saying he would eliminate unemployment in Newfoundland by creating, to quote him directly, by creating "hundreds of jobs for thousands of Newfoundlanders."

Actually, it's a problem called Dontopedalogy or as the dictionary defines the word, "A noted propensity or talent for saying something indiscreet, foolish or embarrassing".

The best propensity or talent for that, that I've ever run across in all my years of journalism, was a Toronto mayor by the name of Allen Lamport. Many of you will remember him. Let me give you a couple of examples. When under attack, he once shouted angrily:

"I deny the allegations and I deny the alligators."

Another time, defending his honour, he said:

"Why, I even went so far as to be fair."

And once, denouncing a secret, backroom plot about the job he was doing as mayor, he said defiantly:

"If somebody's going to stab me in the back, then I want to be there."

Mayor Lamport was an astute politician, as well as one of the world's most accomplished "Dontopedalogists." But what he meant, I could not always decipher.

Mind you, politicians have *their* criticism of those of us in the media, too. They feel we have delusions of adequacy, that we often have high principles and low practices.

One of the most biting criticisms came from President Jimmy Carter's press secretary, Jody Powell, who said political journalists were "like those who watch the battle from afar, and, when it's all over, come down from the hills to shoot the wounded."

But *most* of us in journalism are not trying to "shoot the wounded." What we're trying to do is to sift through the rhetoric of political leaders and others, to try to find reality. Too often, though, our political leaders are not so much interested in reality as they are in perception. Senator Keith Davey spoke a while back to a meeting of political organizers in Montreal and told them:

"Perception has become the reality."

Now *that*, frankly, scares the dickens out of me because I fear, to a degree, it's true. And it re-emphasizes the importance of the media role to reflect *reality* as best we can. If we steer our lives and our country on perception only, then at some point we're going to have some very rude shocks when we come face to face with reality.

I was chatting about this at lunch not long ago with an old colleague of mine, Morley Safer, who is, as you know, a correspondent on the CBS program Sixty Minutes. Morley used to be a CBC correspondent, and, before he joined Sixty Minutes, he was in Vietnam for CBS. In fact, he probably was the best broadcast journalist *in* Vietnam, more vividly, more effectively reflecting the real issues of that war than anyone else.

So much so that President Lyndon Johnson tried to have him fired because, Johnson said, "He's a communist."

When repeatedly assured that Safer was a *Canadian*, not a communist, Johnson replied that well, anyway, he knew *something* was wrong with him.

The trouble, of course, was that President Johnson simply did not want to hear the *reality* of Vietnam because it profoundly differed from the *perception* he wanted the public to have about what was going on there. He didn't want the facts to wound his theories. But in the end, when reality caught up with perception, Johnson was driven from office.

And it's true for Presidents and Prime Ministers and all of us. We too often prefer the comfortable familiarity of our fantasies and illusions to facts and reality. But part of our journalist's job is to enlarge public understanding of uncomfortable problems.

It's a simple fact that those in authority, whether in the public or in the private sectors, whether it's Brian Mulroney, Ronald Reagan or Conrad Black, must be able to cope with an admittedly sometimes cantankerous media, a sometimes obstinate media, so the country as a whole can preserve the greater values of freedom of expression and the right of people to know.

There simply has to be room in our democratic society for things you may not like to hear; there has to be freedom for the thought you hate.

Now that is sometimes hard for political leaders to accept. Without mentioning any particular names, politicians usually have healthy, even over-developed, egos, and they want their self-image reflected by the media, and get upset when that doesn't happen.

The difficulty for some political leaders is that they want motherhood and virginity at the same time. They sit on a volcano of conflicting demands. And as we move through the 1980's, it's clear that issues and events are moving so quickly and become so complicated – things are so inter-related – that there, in fact, seem to be no clear-cut solutions to anything any more. There are just trade-offs. And our need to know what's being traded off for what gains and what losses, becomes more critical every day.

And that, in turn, increases the importance of journalism in a democracy as, in effect, an agent for the public, to provide a fair reflection of reality and not somebody's self-image.

That's our "glue" role between the governed and the governing. To inform, to explain, to background, to look to the future, to stimulate interest in public affairs, to reflect *various* points of view on issues, actions and events, to reflect social co-operation as well as social confrontation. What we are doing in news reporting is, as Walter Lippman said, to "provide the rivers of fact to feed the streams of opinion."

As I've mentioned, there are various ways of doing our job: the Gutenburg way of the printed page, and the electronic way of radio and television. Of all those vehicles of information – newspapers, magazines, radio and TV – clearly by far, *television* has the most impact and is the most important.

Every survey I've seen demonstrates that. The Kent Royal Commission on the media found through its own surveys that television news programming was regarded by those Canadians polled as the best to keep you up to date, to be the most fair and unbiased, the most influential, the most believable, and the most essential to Canada.

We in the CBC had our audience research people do a survey awhile back comparing public belief in The National and in local newspapers. By a margin of about five to one, The National was pronounced the most believable. Five to one.

Now that kind of thing alarms me. As good as I think The National is, I know it's not five times better, five times more reliable, than local newspapers. As good as I think our television news is, I know it has weaknesses.

And I know, too, that to be well informed, you *have* to *read*, read newspapers, magazines and books, and listen to the radio.

Nevertheless, like it or not, most people *do* depend on television for their knowledge about what's happening, where, why and how.

You certainly can see that in the statistics. Canadians spend more than half their leisure time watching TV, an average of about 23 hours a week in front of that mesmerizing box of wires and tubes. Three and a half hours a day for every man, woman and child in the country.

The most recent Nielsen Survey I've seen shows women 55 years old and over watch the most of all, an average of 36 and a half hours a week. Men in the same age group watch 33 hours a week.

We spend so much time with TV that people are increasingly talking to their sets. A survey has shown that something like two-thirds of all Canadians watching TV actually talk out loud to their TV sets.

Interestingly, the highest incidence of that, for what reason I can't possible imagine, is in New Brunswick. Surveys show that in New Brunswick, 84% of the people talk out loud to their television sets.

A recent survey shows most people say their television set is the most important object in their home – more important than their bed, their refrigerator or their washing machine. They may be tired, hungry or dirty, but by God, they're not going to miss Dallas, or Front Page Challenge, or The National.

By the time our youngsters reach the age of twelve, they will have seem something like 12,000 hours of television. That's about twice as much time as they've spent in school.

So you can just imagine what kind of massive cultural conditioner that is, in giving young people their sense of self, their values, their role models and heros, their expectations and reference points, and their knowledge about what's happening in our world.

Those somewhat alarming figures underline the importance of television in today's society. To my mind, TV is the greatest instrument for mass education ever devised. And, while certainly much of television should be pure entertainment for the sheer joy of it, we have to be wary of the temptation to pervert its almost entire use to pandering to the lowest common denominator, to making TV an instrument for the numb and the dumb.

In Canada there are about 11 million television sets – 11 million electronic cannons, if you will, firing out information all day. I think it's fair to say that Canadians, and people in most democracies today, are better informed than ever before because of television. It has brought the news to people who simply didn't read the papers or books before. It's made understandable to millions of people the workings of democracy as they watch Parliament in debate, federal-provincial conferences. Television has taken us to the moon, and to war, made us aware of profound social changes in our country.

So we are, I think, better citizens because of television.

But in my business of television news, that huge platform means we have the heaviest responsibility of all the media. The bigger the platform, the bigger the responsibility.

W.H. Auden has said we live in an "age of anxiety." We in television news have a responsibility to lessen that anxiety, to make our news programs more than just chewing gum for the eyes, trivialized glances at important issues and events.

It was with that sense of using television to enrich, to broaden, our understanding of what's happening and lessen our anxieties, that led the CBC to take the plunge and switch The National from 11 p.m. to 10 p.m. in partnership with The Journal.

The change to 10 p.m. was made not just as a schedule change, but as a profound, philosophical commitment to a more aware, a more enlightened society.

It was, however, a very real gamble.

The National had been at 11 p.m. for 30 years, going back through the years of Larry Henderson, Earl Cameron, Stanley Burke, Lloyd Robertson and Peter Kent. At was a tradition, a habit, and you don't break that kind of 30-year tradition and habit lightly.

We also knew that 10 p.m. is the heart of prime time on television, and the competition at that time is simply ferocious.

The competition was not other *news* programs, but rather the mass appeal "shoot-'em-ups" and adult soap operas that flourish at 10 p.m. on CTV, Global and the American stations. We were warned we could be badly hurt in audience terms.

But we decided to take a calculated gamble, we decided to take a chance with something just a little more intellectually demanding than Knots Landing, Falcon Crest or Love Boat.

I'm relieved to report the gamble has paid off. The combination of The National and The Journal has made the 10-to-11 time period a popular electronic highway of information for Canadians.

When The National was at 11, our audience size averaged about 1.2 million. Now, with The National at 10 Monday through Friday, we've been averaging close to two million viewers every night. And often, we get two and a half, and sometimes three and a half million. The Journal is reaching audiences averaging around 1.8 million every night, and sometimes more than two million.

In fact, I just saw an audience report this morning on the whole 1985-86 television season, and it showed that of all the regular Canadian programs on the CBC – including Saturday night hockey – The National was the number one program in audience size.

My third point in these comments on journalism, on what I've characterized as history on the run, is that journalism today is better than it has ever been. With very few exceptions, you no longer see the sensationalized, yellow journalism of the first part of this century.

Taken as a whole, today we in the media are doing a more responsible, more accurate, more effective job than ever before.

But it's not good enough.

It's not good enough because, as I've sought to demonstrate, society today has become so dependent on the media that we in the media have to be better, have to be more reliable, be more accurate and fair. Journalists have to become more conscious of our social responsibilities, of our responsibilities as agents for the public, and being the glue of democracy.

To me, perhaps the most worrying problem for journalism today – especially for television journalism – is the idea that the news business is show business.

It certainly is not. In fact, I hate it when The National is called "a show." We all, I suppose, do from time to time refer to our news programs as "shows," but I cringe at that word because it communicates what I think is a fundamentally wrong sense of values.

For television, the temptations of slash-and-trash journalism can be attractive for those who value entertainment values over news values. And some people talk of "zapping the corneas," and getting more "jolts per minute." Too often today, some news organizations and reporters give priority to theatricality over substance.

There is also a great deal of talk about the need for objectivity in journalism today. I happen to think objectivity is impossible to achieve. We're all products of our background and environment with various points of view.

But, while objectivity itself is, I think, impossible to achieve, I think we must continually strive to achieve it, to *try* to come as close as we can. In other words, I suppose, simply to be fair. And I much prefer the word "fair" to "objective."

The media hold a mirror up to society, but we do so selectively. We have to accept that the very raising of that mirror will change the character of the event or issue by intensifying it, or glamourizing it, or denigrating it. So we must be as sure as we can that we are giving a fair reflection of reality and truth when we raise that mirror. We have to remember

Winston Churchill's comment that "a lie can be halfway around the world before truth gets its boots on."

We're not giving reality and truth a fair chance if we, in the media, take on the role of adversaries in our reportage, if *we* try to be the political opposition instead of the political parties, if we sensationalize, if we're lazy or careless or unscrupulous, if we're "Show Biz" or, too, if we're shallow, simplistically looking only for good guys and bad guys, and not looking hard enough for the significant nuances and subtleties of complex stories.

As reporters, we're not entertainers, we're journalists. We must be a fair witness to reality and recognize that the heart and soul of our business is our credibility.

Long before there was such a thing as a "mass media," Aristotle, a Greek philosopher said:

"Men by nature desire to know.:"

Men and women *do* desire to know and *need* to know. And it's our job in journalism to provide that knowledge.

We may be a nosy and cheeky bunch, but, in some ways, I think we're often not nosy or cheeky enough. Our job is to try to keep the record straight, to try to expose those who fiddle with the truth.

As the people who make the news become more sophisticated and skilled in presenting their self-image, we in the media have to become more sophisticated and skilled in trying to reflect reality. In our investigative reportage, in our political reporting, in *all* our reporting, we must do that with the highest degree of professionalism. As I've said, I think we're better than we've ever been, and we need to be *even better* if we are to be effective as the glue of democracy and as an agent for the public.

There used to be a saying that "No news is good news." Today, "no news" would be bad news, bad for each of us as individuals and bad for all of us as a society. Our job in the media is to provide that news, and to provide a searchlight probing through the self-serving manipulation of some of those who are selling themselves and selling their ideas to the public.

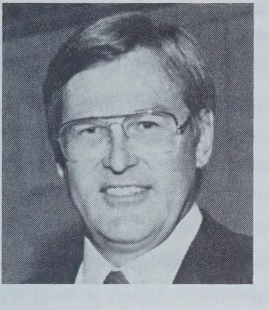
What we do may just be "history on the run" and rather less than perfect, but a socially responsible journalism can bring all of us as close to the truth as we'll get for a long time.

The appreciation of the meeting was expressed by Nona Macdonald, President of The Empire Club of Canada:

One of The Empire Club's objectives is to bring the speaker to the people and the people to the speaker, and today, with the assistance of The Royal Commonwealth Society and Nola Crewe's invitation to our guest to be with us on Canada's birthday celebration, I think we have achieved that objective. We have CBC TV's Knowlton Nash off the screen and on our platform, and has he not taken us on a trip down the highway of communications in the most captivating and informative manner?

Mr. Nash, it is not surprising that a group of academics in Michigan voted you as the winner of the 1986 Eliza Doolittle Award for Excellence in Communications, because in addition to your consummate skill in interviewing and presenting, you tell a rollicking good tale and one with very thoughtful insights – and we'll take it away with us.

You are indeed "the knight of nightly television" and we don't want you to come "unstuck," so it is my pleasure to present you with a memento of appreciation of both our organizations: an Empire club tie with the appropriate maple leaf insignia. We hope you'll wear it in good health and "on camera" as often as possible.



September 18, 1986
Joint meeting with
The Canadian
Club of Toronto

The Hon. Michael H. Wilson, P.C., M.P.

Minister of Finance

"AN UPDATE OF THE ECONOMIC AND FISCAL SITUATION"

Chairman: **James K. Warrilow**
President, The Canadian Club of Toronto

Introduction:

I've been told by past presidents of The Canadian Club that there are two subjects that are guaranteed to attract large audiences: money and power. Well, Michael Wilson has the power and he's certainly going to speak about money tonight, although I'm afraid he may talk about lack of money.

Early last week, the news leaked out that Michael Wilson was returning to Bay Street to give a major statement on the economy. The very next day, the Toronto Stock Exchange took the biggest one-day nosedive in its history since 1929. Perhaps it was a coincidence, but, if I were the Minister of Finance, I'd be worried about having such a dramatic effect on the stock market. And I'm told it affected Wall Street, too.

More seriously, I'm delighted to welcome back one of our own: Michael Wilson is a former vice-president of The Canadian Club, and his father, Harry Wilson, was president of the Club for our '60/'61 season. And I'm very glad that he could be here, too, joining us at our head table.

Michael Wilson has one of the toughest jobs in the country—a job he fulfills with determination and tenacity. The present Government is now entering its third year, and Michael Wilson has retained from the beginning the sometimes uncomfortable and often controversial position of Minister of Finance. In Ottawa, he is respected both for his stamina, which is legendary, and for his ability to outlast almost anybody at a party.

Tonight he's here to give us an update on Canada's fiscal position—a situation report on the deficit. I'm told it's the single subject that worries Bay Street the most.

I hope the news he gives us tonight is not too disheartening. But, in any event, I'm delighted that the Minister believes in tackling these tough issues and that he has chosen to be with us tonight.

Michael Wilson

Let me say first how much I appreciate the opportunity to speak to the Canadian Club of Toronto once again joined by The Empire Club. It's always good to be back home and to see so many old friends and former colleagues.

Most of you are probably aware that we have already begun planning for next February's budget. Tonight, I want to use this opportunity to give you an update on the economic and fiscal situation. I consider this part of an ongoing commitment I have made to make information about the current economic and fiscal situation available in a more timely way.

Since taking office, the Progressive Conservative Government has brought a fresh approach to the challenge of achieving Canada's economic promise and potential. Our objective was straightforward: sustained economic growth and productive jobs for Canadians. That objective has not changed. And it will not change.

To reach that objective, we have been following a consistent policy agenda. That agenda, set out in November 1984, identified four thrusts essential to economic renewal:

- To get the budget deficit under control.
- To give business a new boost.
- To make the Government more efficient in its own operations and less obstructive to the work of the private sector.
- And, to bring out these changes with the sense of equity and openness that characterize Canadian society.

We have made it clear from the beginning that fiscal responsibility is absolutely essential if we are to secure durable economic renewal. But fiscal responsiblity, after so many years of profligacy, cannot be achieved overnight. Therefore, we established a five-year fiscal plan to restore our public finances to a state of health.

We have defined fiscal responsibility by four fundamental principles. These have guided our actions in meeting the challenge of restoring financial health.

First, to reduce the growth in the national debt to less than the growth in the economy by the end of this decade.

Second, to achieve continuing, sizeable year-over-year reductions in the deficit.

Third, to ensure substantial year-over-year reductions in the size of the Government's financial requirements.

And fourth, as the primary means of achieving these objectives, to ensure that the greater part of the progress is through expenditure restraint and tight management.

By following these principles, we succeeded in reducing the federal deficit in 1985-86 by $3.8 billion, a 10-per-cent drop from the record deficit of $38.3 billion in the previous year. This was the first time in six years the deficit had been chopped. It was only the second time in 16 years, Not only that, but last year's deficit, $34.5 billion, was virtually bang on target.

Moreover, our progress in improving the deficit last year was markedly better than the United States'. In 1985-86, the deficit in Canada dropped 1.4 percentage points relative to gross domestic product compared to the preceding year. By contrast, the American deficit rose 0.7 percentage points.

The key to getting the deficit down is locking the door on spending. Total Government spending, excluding interest payments on the public debt, declined by almost one per cent last year. This was the first noticeable decline in program expenditures since the Second World War. It compares with an average annual growth rate of 12 per cent over the last 10 years.

Moreover, total spending came in $2.1 billion below the target set out in the May 1985 budget.

The decline in spending was entirely due to a $1.6-billion reduction in spending on discretionary, or non-statutory, programs. This considerable accomplishment was greatly aided by the comprehensive work of the Nielsen Task Force in co-operation with business and labour leaders in the private sector. After adjusting for inflation, non-statutory spending dropped more than eight per cent last year. We have also made changes to statutory programs, which will increasingly constrain spending beginning this year.

These figures are not forecasts. They are facts. They are milestones that mark the progress we are making on the road back to fiscal responsibility. They are battles that this government has won.

They are battles, but they are not the whole war. Further deficit reduction is imperative, but economic renewal will not be won by deficit reduction alone. Fiscal responsibility is not a do-nothing approach to the economy. It is not a hack-and-cut philosophy that tears down but never builds. It is a discipline that demands that we set priorities so that limited resources can be used to support initiatives that will help create, shape and sustain a more prosperous, tolerant and just Canada. This is precisely what we have been doing.

The reduction in government spending means more than simply saving money. It means we are reducing the size of government. Reducing spending is part of a broader effort to streamline existing government programs, sell off Crown corporations, reduce regulation and complete our work flowing from the Nielsen Task Force. It is part of a board program to give the private sector more room to innovate, to grow, and to create jobs.

At the same time as we have acted to streamline government, we have acted to support private initiative by encouraging entrepreneurial investment, by co-operating with industry to increase university research, and by pursuing trade initiatives designed to secure our ability to compete fairly in an increasingly competitive world.

But our program is even broader than this. We have acted to increase support for those in need. We have improved standards for private pension plans and strengthened The Canada Pension Plan. We have removed discrimination against women from the Indian Act. We have increased veterans' pensions and brought in needed reforms to our justice system. We have made strides toward greater equality in employment opportunities for women and minority groups. We have introduced a refundable sales tax credit for low-income Canadians and a minimum tax on the wealthy.

The actions we have taken have made our economy stronger, our Government more efficient and our society more humane.

The results of our policies to date can be measured, at least in part, by the economic record over the past two years. Looking back, we can see that Canada as a nation and Canadians as a people have experienced some real improvements in our economic well-being.

Take economic growth. In 1985, our real Gross Domestic Product grew at a pace exceeded only by Japan among the major industrial nations. We grew considerably faster than the United States and all other major OECD countries.

Take job creation. Since September 1984, the Canadian economy has created well over half a million jobs. The unemployment rate has fallen from a high of 11.7 per cent in September 1984 to 9.7 per cent last month. There are still too many Canadians without a job, but the picture is brighter than it has been since March 1982.

Take inflation. No more double digits. The consumer price index is down close to 4 per cent. Other price measures show an even better performance. For example, the price measure, or deflator, for Gross Domestic Product, which keeps track of price changes for all goods and services produced in Canada, is now increasing by only 2½ per cent per annum.

Take interest rates. Today mortgage rates are more than three percentage points lower than they were in September 1984. The prime rate averaged just over 12 per cent in 1984, dropped to about 10½ per cent in 1985 and today stands at 9¾ per cent. That is less than half of what it was in 1981. It is the lowest it has been in eight years.

Our stronger economic performance has been recognized the international community. For example, according to the 1986 report of the European Management Forum, published last month, Canada now ranks sixth among the 22 leading industrialized nations examined in our overall competitive position. This is an improvement from eleventh place in just two years.

The latest survey of Canada by the OECD stressed the very strong performance of the Canadian economy in 1985 with the growth in output being "among the highest in the OECD area" and "employment growth the fastest in the whole OECD."

The economic analyses and statements made by these objective observers have a clear, common message: Canada's economy today is a good deal stronger than it was in September 1984.

Nothing is ever static in the world. However, the world economy is in a period of transition marked by new technology, tougher competition, and changing habits. At the same time as the Canadian economy has improved, new challenges have arisen, and these require new responses. In a number of important ways, the world's economy is different today from what it was only a year ago.

For one thing, Canada's principal trading partners experienced a slowdown in growth in the first half of 1986. The main reasons are trade and fiscal imbalances, uncertainties about rapidly adjusting exchange rates and commodity prices, and debt burdens that have discouraged buying by many less-developed countries.

These pressures have contributed to the surge in protectionism in the United States, for example, which is causing great concern.

Through the first half of 1986, there have been additional problems. The sharp drop in world oil prices has hit our producing and exploring areas hard, as the citizens of these parts of the country know only too well.

Another blow has been the dramatic fall in grain prices on the world market, largely the result of the grain war between the U.S. and EEC.

These economic pressures will not disappear overnight. And they inevitably have consequences for us. In particular, they have had negative effects on our trade balance through lower prices for our energy and grain exports.

But, despite these pressures, the fundamentals of the economy remain sound and there have been some positive developments. Recent declines in interest rates are particularly encouraging. Lower international oil prices should raise the real purchasing power of consumers, in Canada and in our trading partners, and this will help strengthen economic growth.

Taking all these factors into account, the over-all outlook for this year is that economic growth will be somewhat slower than anticipated. While several current economic indicators suggest some weakness in the third quarter, real Gross Domestic Product for 1986 should increase at a rate of about three per cent. The increase in the consumer price index for the year will average about four per cent. And the unemployment rate by year-end should be at or slightly below the current level of 9.7 per cent.

Growth elsewhere among industrialized countries shows signs of being stronger in the latter part of 1986 than it was at the beginning. Looking ahead in 1987, I anticipate economic growth to strengthen here and elsewhere as the benefits of lower oil prices and interest rates are realized more generally. The strength of growth next year will hinge importantly on policy developments and the economic outlook in the United States, Europe and Japan. This underscores the importance of Canada's achievement in gaining full membership in the "G-7," the group devoted to enhancing economic co-operation among the world's seven leading industrial nations.

This year's fall in oil and grain prices has hit some parts of Canada hard. Once again, we have been reminded that we live in a nation of varying and uneven regional economic strengths and endowments.

One of the basic principles of our nationhood is that we respond in times such as these to support regions in particular economic difficulties. To a large extent this happens automatically—through those mechanisms that economists call "automatic stabilizers." Higher stabilization payments to farmers hurt by low grain prices—or an Unemployment Insurance cheque to an oil worker out of a job—are among the important ways we in Canada help minimize the effects of economic shocks to regions and sectors.

In the current circumstances, lower oil prices mean that this year government tax revenues will be reduced. Similarly, with the fall in grain prices stabilization payments to our grain farmers will grow.

This reflex response is built into Canada's economic and fiscal structure. It is a necessary response. But it is not always a sufficient response. The Government has taken further steps to help the energy and farm sectors. For example, last April the Prime Minister announced an increased exemption for small oil and gas producers from the Petroleum and Gas Revenue Tax, and an enhanced Fuel Tax rebate to help ease the farm community through its financial difficulties. And earlier this month, my colleague, the Minister of Energy, announced that the PGRT would be ended as of October 1. That measure in itself will mean a sizeable benefit to activity in the energy sector. But it also represents a corresponding loss in government revenues.

These actions are providing welcome support to Canadians and to Canadian communities and regions. Without this support, Canada could not be, and would not be, the kind of nation we all take pride in.

But this support, so vital to our well-being as a people, has a corresponding impact on the deficit. As a result of lower oil prices and somewhat slower economic growth than previously foreseen, revenues this year will be $2½ billion lower than expected

In these economic circumstances, with the regional difficulties that confront us, I do not believe that this fall in revenues should be offset by tax increases. Equally, it is not appropriate to make up the shortfall through further major cuts in spending this fiscal year. Expenditure reductions of this magnitude at this time, given the expenditure cuts we have already implemented, would be more disruptive and harmful to the economy than a slower decline in the deficit this year. Indeed, it is simply wrong to think that such cuts could be made in the balance of this year without significantly affecting spending on regional economic support programs and social assistance. To cut spending on these programs—so important to regions, sectors and individuals in difficulty, would doubly harm those communities and Canadians that are already hurting.

I want to make it clear, however, that a slower decline in the deficit this year, in the face of extraordinary economic events, does not throw us off our track or lessen our commitment.

We are as committed today to our four principles for fiscal responsibility and to our five-year fiscal plan as we were in 1984.

We said we would reduce the growth in the national debt to no more than the growth in the economy by the end of the decade. Reductions in revenue this year will not deter us from this track, and I will take appropriate action in future budgets, if necessary, to ensure that this goal of our five-year fiscal plan is met.

We said we would achieve the greater part of this progress by tight expenditure control. Our record in expenditure control is excellent. Our expenditure plan for this year is still on track. We will meet or better the $89.4 billion target for program expenditures set out in my February budget.

We said we would achieve a substantial year-over-year reduction in the size of the deficit. We will. Given the economic outlook for the rest of the year, by holding to our expenditure target the deficit will come in at or under $32 billion. This will mean a substantial decline from last year. And it will be the first time in 16 years that the deficit has decreased two years in a row.

We said we would ensure year-over-year reductions in the size of the Government's financial requirements. Exclusive of foreign exchange transactions, the Government's financial requirements will fall by almost $7 billion this year.

Our decision not to offset the deficit increase this year was taken consciously and positively. We are willing to plan for a slower decline in the deficit this year for three reasons: first, because it cushions the blow of recent economic pressures to hard-hit regions of Canada; second, because our spending is still on track; and third, because a higher-than-expected deficit this year is not inconsistent with either our five-year fiscal plan or our fiscal principles.

Since coming to office, we have made continued progress in restoring health to our nation's finances. We will continue to do so. This progress is reinforcing the sound foundation on which we can continue to pursue our primary objective of sustained growth and jobs for Canadians.

But, to achieve this objective, we must also meet challenges that go far beyond the imperative of controlling the national debt. We will respond to the challenges of tax reform, including our commitment to review our social transfers and related tax provisions. We also face bold and far-reaching challenges in securing and enhancing our trade prospects, in developing stronger regional economies, and in promoting social justice and equality of opportunity for all Canadians.

These issues and others will test our wits, our courage and our capacity to transform the vision of a better Canada into reality. But, rest assured, in pursuing them we will do so within our framework of fiscal responsibility.

These challenges hold out great opportunity and promise.

In addressing each of them, the Government is prepared to deal with the issues constructively, openly, creatively, and co-operatively. We will continue to show the leadership that Canadians expect of their government. I am confident that Canadians will seize the opportunity and work with us as we strive to build a better future.

The appreciation of the meeting was expressed by Nona Macdonald, President, The Empire Club of Canada:

We are proud to have our platform as your podium, Mr. Minister, for this significant meeting.

You have outlined our country's fiscal policies at a time when the economies, both here and abroad, are subject to volatile changes. Tonight, Mr. Minister, you have dealt with these realities in your traditional forthright and courageous manner.

You leave us with a clear awareness of the problems we face and how our representatives in Ottawa must deal with them. It is obvious too, from the response of this audience that we respect your firm hand at the helm.

Thank you for bringing us this state-of-the-nation report and on behalf of The Empire Club, our appreciation, and, to The Canadian Club of Toronto for hosting this landmark meeting.

October 2, 1986

Diane Francis

Journalist and Author

"CONTROLLING INTEREST: WHO OWNS CANADA?"

Chairman: **Nona Macdonald**
President

Introduction:

The *Globe and Mail* book reviewer wrote—"Diane Francis specializes in unravelling the complicated net of corporate ownerships in Canada. In what she describes as a 'Private-sector, One-woman Royal Commission,' she has studied corporate concentration in this country and makes it clear she doesn't like what she finds."

Diane Francis may be here to tell us about successful Canadians, but she has a success story of her own. It should be noted that for one so keenly interested in Canada, she was born in Chicago and came here as a teenager. For a journalist who has travelled the length and breadth of her adopted country to glean the facts to complete her research, she is also a family manager, having married at 18 and now raising two teenagers in Mississauga.

Her interest in politics motivated her about ten years ago to take classes at Sheridan College in writing. From there she moved from local newspapers to Canada's largest daily—*The Toronto Star* — where she writes a business column called "The Insiders." Her keen observations of Bay Street and beyond, led to appearances on CBC's public affairs programs: TV's *The Journal, Midday* and radio's *Morningside.* Prior to going public, Diane Francis and her husband Frank ran their own commercial art business. So she understands the ups and downs of profit and loss. Today it is to our profit to welcome the author of the new bestseller, just on

Maclean's bestseller list this week, published by Macmillan, titled *Controlling Interest: Who Owns Canada?*, which is also the title of today's address. Ladies and gentlemen: business woman, journalist and author, Diane Francis.

Diane Francis

It is needless to say I am honoured to be here; I am two thirds of the way through a coast-to-coast tour promoting my book and if it is Thursday it is Toronto. I feel somewhat shell-shocked. I have had some funny incidents. My book has a title and a subtitle and that has caused a little bit of consumer confusion. Apparently a number of the booksellers have said "We have had these people come in, asking for both of your books, Diane, *Who Owns Canada?* and *Controlling Interest*." But anyway, we have gotten around that problem. And the other situation was last February, I realized that *Controlling Interest* is the title of a colleague's book that was published a few years back, so I called Macmillan in a panic and I said "We cannot call it *Controlling Interest:* my goodness, someone else has published it." Well, they said, we like the title, you've got a subtitle and there is no copyright on titles, and I said, well let us call it *In Search of Excellence* and sell five million. They didn't go for that.

Seriously I am going to come across as a bit of a preacher here. I am the granddaughter of a Baptist preacher and you are going to hear a little business hellfire and brimstone. I have religion on this subject and I have been going across the country like an evangelist on the topic. Basically I want to start from this point of view: Basically I am a capitalist, not a socialist. I am a capitalist who believes Karl Marx was right. Marx said that capitalism will destroy itself, if completely left alone and I really believe this is true. I think we have to save the system from the capitalists. And the United States, where I come from originally, has realized this. Going back to the turn of the century when they industrialized, Teddy Roosevelt busted up the trust, took on John D. Rockefeller, made him split up the world's biggest corporation into five pieces and more recently A.T. & T. was split up into a dozen entities, all in the realization that you have to protect the system from the biggest, who can end up so big they become bullies. They also have a situation in the United States where a takeover is not a right, it is a privilege, and anyone who makes a takeover is called before the Federal Trade Commission, which is a tribunal which looks into the competition aspects, and very often no matter how large the company, they are ordered immediately to sell part or all of what they have just purchased; and that is in the interest of protecting the cornerstone of capitalism which is free and open competition.

Why are Americans smarter than us? Well they are not smarter than us. The reason is they industrialized at the turn of the century, we industrialized during World War II, they had an economy characterized by bandits and robber barons, which gave them the political wherewithal to go and attack bigness and badness that was big and you know, it is not that they are smarter, but they have been at it longer. And as I say, at the turn of this century Sinclair Lewis, the famous journalist, and others exposed all of the abuses. They were raping the environment, exploiting the workers, exploiting the consumers and so on, so that they brought in a body of legislation that still remains a major legacy from that era of abuse.

There are basically two kinds of concentration of power and I try to deal with both of them in my book. The first one is what economists call aggregate concentration and that is just more and more being owned by fewer and fewer. The second is marketplace or industry or product concentration and that is where you have a few sellers of a certain product in a certain market. We have both kinds in spades. What I found in my book, and it is hard to quantify exactly because we don't have proper disclosure requirements in Canada in terms of private family companies, but basically to try to quantify the degree of aggregate concentration, these are some of the facts I came across:

Thirty-two families and five conglomerates control about one third of the non-financial corporate wealth of this country. Five banks control eighty per cent of the deposits on hand in the country, the financial assets in other words, the important ones, and their boards of directors are populated by members of these thirty-two families and five conglomerates, so they also have a very indirect control sometimes over the banking business and the banks in the past, as we have known, have acted often like open-ended slush funds for these tycoons whenever they wanted to make a takeover.

Bell Canada is a monster that is almost out of control. It is an excellent corporate citizen, but Bell in 1983 was given permission by the CRTC to make takeovers and restructure. Ever since, they have taken over a major corporation every year: TransCanada PipeLines, the largest corporation, British American Banknote. They of course also own Northern Tel and basically they have so much cash flow coming in from operations that they will do this indefinitely. Right now, the Bell family of companies, which includes as I say the ones mentioned, plus Daon Development and Bell itself which is gigantic, represent nine per cent of the Toronto Stock Exchange entire float and that is just after a number of years and I submit that that is a level of concentration which is highly questionable, considering the fact that some of the families that I profile in my book could probably buy this whole chunk of our economy or a foreign investor could. So I am very concerned about the size of the Bell empire.

Another empire which is huge and has grown very quickly is the Brascan empire, the Hees and Carena Cancorp. empire owned by Peter and Edward Bronfman. Just interesting facts — they have three times the capital of all the Bay Street brokerages combined; this is just from a stand still in '78-'79, they own seventeen per cent of British Columbia's mines, one third of its forest industry. The concentration has gone on to such an extent, that of the four hundred largest corporations in Canada, public corporations that trade on stock markets, three hundred and seventy-four have control of shareholding with twenty-five per cent or more of the shares. That means the game of Monopoly has gone on so long and so large that I guess only Boardwalk and Park Place are left. Compared to the United States, this does not necessarily lead to any definite conclusions, but it is interesting. I would calculate that we have six billionaire families in Canada. That is to say, that after they have sold their assets and paid off their debts, they are actually worth a cool billion or more. The United States has a dozen in an economy twelve times as large.

When it comes to marketplace concentration, we also have a similar problem, and it characterizes itself in my business, the newspaper business, the eyeglass frame business, the gasoline business, the retail business, the shopping centre business, in banking and brokerage and even in bread, in Ontario we have two guys baking half the bread in the province. There is a number of reasons we should all be concerned and, again I am a capitalist, I admire these people. The thirty-two people have been accused by one review of holding them up into reverential status and therefore undermining my hardhitting analysis. I can reconcile these two things, because these people do not write the law, they work hard. They are admirable, they are smart, but they beg a number of policy questions considering the size of the country and the amount of their success. I think we accepted a number of levels, as consumers we are affected. The best example of that is when the oil price collapsed in December—it dropped sixty per cent, the American consumer saw an immediate benefit at the gas pumps as each region, each city in the United States has dozens of refineries competing madly for market share. They get an immediate drop in the gasoline price; it took us four or five months of battering in the House of Commons and so on. The excuse was, well, we brought all this high priced off the awfully long pipelines. The pipeline from Alberta to Winnipeg is no longer than the pipeline from Texas to Chicago and the difference was we have five refineries with an iron grip on our economy, led by our own national oil company, who has been at certain times a particularly ugly conglomerate, among our midsts making takeovers and throwing Canadians out of jobs just all for the sake of getting big. We had lost opportunities and I think our nagging unemployment problem can be in part blamed for the takeover binge that this country has been on since the Royal Commission whitewashed concentration as a problem and then it went crazy, that was in seventy-eight. Basically I think it has affected unemployment in two ways. These people who have embarked on these takeovers have done it with other people's money and the collective mortgage on our corporate sector is nothing short of breathtaking in Canada and that has of course meant that when someone takes over one company, they have got such a big interest to have to pay every month in buying it and acquiring it that they cut everything to the bone and lay off Canadians. The other problem has been that very often when Company A takes over Company B, to realize economy of scale and so on, they eliminate duplication and they fire a lot of people. We saw this recently with Petrocan which is in the process of laying off two thousand people after it bought Gulf Canada's gasoline stations. So I think as workers we are losing opportunities and it has cost us. As taxpayers, it is pretty obvious it has cost us. These big players can hire big smart tax lawyers and the interest deductions from corporate income taxes has cost our coffers billions of dollars. I noted recently in Ronald Reagan's tax reform they are somewhat clipping the takeover wings because the interest deductibility is not as open ended as it was, something I call for in the solutions of my book.

Then we have good old K.C. Irving, the richest Canadian in the world, who moved to Bermuda the day after capital gains was introduced, so when that empire, which I estimate is worth between 6 and 8 billion, passes from one generation to another, there won't be one dime of capital gains tax paid. I don't think that is fair. We are also the only country in the Western world that doesn't have estate (death duty) taxes and gift taxes and I advocate both of those coming back. So the result is the middle class is paying more and more tax, because these people are able to avoid tax. Investors, I think, are affected too because with so many controlling shareholders in so many companies, very often we have a number of examples where minority shareholders have been badly treated and there do not seem to be sufficient remedies in our current system. As a trading nation, I worry. We are talking with the Americans about freer trade, whether that happens or not, I think we are still at a disadvantage. The takeover binge has cost us plenty, in terms of the fact that this huge collective mortgage on our corporate structure must end up costing more in terms of goods and services that we export to the rest of the world. For instance, an interesting statistic is that for every dollar of assets the average Canadian corporation has seventy cents in debt. Now I am including preferred shares, a lot of them do not like to include preferred shares, but it has debt, it is on IOU. This is by William Magnas, who is the economist with the Bank of Nova Scotia; he did a very extensive study. By comparison, in the United States, the corporate sector for every dollar of assets has forty-two cents in debt. Now it is argued, well, we have a more capital intensive industry up here, or resource base and so on, we have to get more so. Mr. Magnas went one step further. He said, our industries have seventy cents in debt for every dollar in assets and equivalent industries, foreign-owned equivalent industries within Canada have forty-two cents for every dollar of debt. So we are at a competitive disadvantage, it just seems very self-evident to me.

As voters, I worry. I think we could be affected because of inordinate concentration of power. They have obviously the ability to translate into political influence. It may or may not explain why this has been allowed to go on as long as it has without soon trimming of the sails of the takeover artists.

However, things are changing. The Ontario Legislature has a committee that has been struck since my book has come out into concentration of power. John Turner has been talking about it in speeches and it may have been unnoticed, but it was not by me, in a Throne Speech yesterday, the government talked about taking a look, whatever that will mean, because there is concern about needless takeovers. So I think we have perhaps a lot of political people on the side of keeping capitalism alive.

Now again, as I say, these are admirable families, there are no crooks among them. Occasionally some of them bend the rules, but they don't break them. And how can you not like families like the Eatons, who are wonderful corporate citizens, old money, not flamboyant, they run good enterprises, they don't get caught up in the takeover game and I love the phrase that Timothy Eaton, the founder had—"Early to bed and early to rise, don't get tight and advertise". Wonderful! I mean who can't like a family like that?

And then we have good old K.C. Irving, who tried to destroy the political career of whomever crossed his path and did a number of abusive things which I outline in the book. On the other hand, you see I have two minds; K.C. Irving is the last of the great nineteenth-century industrialists. And he is a builder, he really has done things for New Brunswick. As Louis Robichaud, the Premier who crossed his path, crossed swords with him I should say, and regretted it, said to me, the problem is not K.C. Irving. The problem is that New Brunswick did not have eight K.C. Irvings. K.C. Irving tried his best to keep the other seven out and did, except for McCain. So basically, from the point of view of being a capitalist I tried to put my mind to public policies solutions and again I want to emphasize that I think we have a talented economic lead in this country. I do not want anyone politically to go in there wielding an axe, when you should take a scalpel, because we don't want to drive these people, their money and talent out of Canada. Basically there are a number of solutions that I have come up with. First of all, I think Investment Canada, which you know scrutinizes every foreign takeover in this country, *should* scrutinize *every* takeover in this country, and I think we should open it up to public hearings as they do in the United States. I think questions should be put to anyone taking over a company. What is this going to do to jobs? What is this going to do to our currency? What is this going to do to monetary policy? Because some of these takeovers are enormously large and actually affect the currency of the country. What are you doing for research and development? Are you going to get so far in debt that you will have to turn back the sales and research and so on? Tough questions! Are you going to close this community down? Are you going to close that mine down? Let's put it to every takeover. Let's scrutinize every one. Right now we just discriminate and ask the British, the Americans or the French to go through this process. I think everybody should, because I think it is in the country's interest. We have a new Combines Act. The Tories, I must admit, former Consumer Minister Michel Cote was the first guy to bring in a decent Combines Act, hasn't been touched yet, may be full of holes I am sure the lawyers are already working on how to take shots at it, but it promises to be a better act and this will attack marketplace concentration and I think there are a number of things I would like them to do. I think they should monitor existing concentration levels and actually retroactively unravel those that may be troublesome, and there is a number of areas that I mentioned earlier.

When it comes to the huge banking concentration of power, I advocate a Chapter 11 type of relief. I think that all too often there is not a level playing field in Canada, because we have these big banks. Basically bankers have the patience of Job when it comes to the Dome Petroleums or the Turbo Resources, but they will very quickly pull the plug on an Ontario manufacturer or a farmer, a wheat farmer in Winnipeg, and I don't think the playing field is quite level. Chapter 11 is an American innovation. There is a similar situation in Britain where you can seek corporate relief for two years and that allows the unsecured and the other creditors to get a bit of the action too, if it is ever liquidated and to come to terms with it and it clips the wings of the banks, which I think is long overdue.

As far as taxes, I advocate, and we have to be careful here because we can't do anything the Americans aren't doing. Unfortunately that is the case because, if we would not allow our takeover people to make interest deductions for tax purposes, they would go down south and make them there, make their takeovers there and we will lose them. But basically, I think if they have clipped the wings, I think we should go and lock step, maybe even negotiate more. The Americans are very concerned about takeovers as well.

I advocate the reinstatement of death duties and gift taxes. You need gift taxes when you have death duties because otherwise they will just give it away before they die to their kids. We are the only country in the Western world without it, I think it is long overdue. We have capital gains relief in spades and I think there is not a sufficient tax from one generation to another.

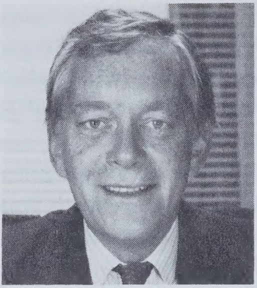
Another thing which I don't mention in the book, which is interesting: again the Americans do this and I hate to sound like America this and America that, but they have been at it longer and I mean I live here because I prefer this place, believe me. But on the tax side, they do have a way of getting around the K.C. Irving problem. That is if K.C. Irving were an American citizen and wanted to, let's say, avoid taxes by moving to Bermuda, he would still have to file taxes where he lived. They tax on the basis of citizenship, not residency. Firstly and secondly, if he renounced his American citizenship and moved to Bermuda, he still owed them tax 10 years after he renounced, so they kind of tie them up and they can extradite them for tax evasion and can make it stick. So I think maybe we should look at that; a lot of games are being played in this country, people moving down to the Caribbean to get out of their Canadian tax, that is their income earned in Canada. Another thing I am concerned about is the cross ownership of financial, non-financial assets. As Robin Korthals, President of the Toronto-Dominion Bank, said to me once, I think he regretted it, that the best way to steal from a bank is to own one. And while we have not had any of the problems, I think there is some concern and I really believe we should not allow people to be both borrowers and lenders. It is just asking for people to be too saintly in their lives.

I think in light of the inordinate amount of concentration of power among these families, I think that political reform is required. I think we must have a register of lobbyists, I think civil servants and politicians must know who they are speaking with and who is representing whom. I think that is long overdue. I think there should be more disclosure, I think politicians, their spouses and their children should disclose their debts as well as their assets to whomever. I think that there should be more disclosure on the side of ownership. My research showed me thirty-two families with five conglomerates have one third of the corporate wealth of the country. That could just be the tip of the iceberg. People like K.C. Irving, Fred Mannix in Alberta operate through provincially chartered companies and the only thing that you know about them is their head office address and the name of their three directors who are typically their lawyers, so you really cannot find out anything, you don't even know what business they are in. I have a number of examples in my book about where unions have been frustrated in bargaining on behalf of their work force and so on because they just can't find out who the owner is.

I would, and I am going to take a deep breath here—I think Bell Canada should be split into two, I think Bell Canada should be split into Bell Ontario and Bell Quebec. I do not think there is any justification for a monopoly of that size which is spewing off far too much cash. I think that we should open up long-distance telecommunications to other players and that hopefully we will have more research and development, we will have more innovation, we will have more opportunities for other players. That would clip the wings of that company. I think the refining section in the gasoline business should be busted up as well. I think there is a range of securities, law changes and other innovations too numerous for me to mention that are outlined in my Solutions Chapter. And I am coming to my concluding remark. Sorry I am preaching at you, but I am an evangelist on this topic. In essence, the reason I wrote my book is, I feel that what we need in Canada is a Charter of Economic Rights and I don't think we have one yet.

Thank you for inviting me.

The appreciation of the meeting was expressed by Henry N.R. Jackman, Chairman, Empire Life Insurance Co., and a Past President of The Empire Club of Canada.



October 9, 1986

The Hon. Ian Scott

Attorney General of Ontario

"CRIMINAL JUSTICE IN THE '80's: A TIME OF CHALLENGE AND CHANGE"

Chairman: **Nona Macdonald**
President

Introduction:

Where law ends, tyranny begins. So said William Pitt in 1770. The tradition of British law is one of the inheritances we cherish. It is fitting then to have among The Empire Club's first speakers of the season the Attorney General of the Province of Ontario. Ian Gilmour Scott is well-fitted for this onerous responsibility. His childhood was spent in Ottawa in a family of lawyers, indeed, four generations of them.

He went to Ashbury School, then graduated from Osgoode Hall and the University of Toronto and was called to the Bar in 1959. He articled to William Howland, our Chief Justice. Civil litigation, labour relations and administrative law have been his main interests, providing an ideal background for his current position.

Like his lawyer brother David, he has served as counsel on many public inquiries: The Grange Commission on the Hospital for Sick Children, the Berger Commission on the MacKenzie Valley Pipeline, the Kingston Penetentiary Riot Inquiry and the Attorney General's Task Force on Legal Aid.

In addition he taught at U of T, Queen's and Osgoode Hall. He is a fellow of both the American College of Trial Lawyers and the International Academy of Trial Lawyers.

Ian Scott's community work includes leadership roles in the John Howard Society of Toronto, the United Way, the Canadian Civil Liberties

Association and the Canadian Environmental Law Foundation. He is active in the Board of Trade, the Canadian Bar Association and the Medico Legal Society.

In 1985, he was elected in the midtown Toronto Riding of St. David and a month later became Attorney General as well as Minister responsible both for Women's Issues and for Native Affairs.

Ladies and gentlemen, for a newcomer to government, who says he finds the Question Period in the Legislature a real trial, let us hear what he has to say about Criminal Justice in the 1980s: A Time of Challenge and Change, Ontario's Attorney General Ian Scott.

Ian Scott

It is now sixteen months since I left the private practice of my profession, the law, and was sworn in as the Attorney General of Ontario. The challenge of this new life has been exhilarating. Inevitably as you would expect, much time is spent simply trying to cope with the daily crises which seem to arise continuously in the life of an Attorney General. The crisis-oriented nature of the job is, of course, one of its great attractions—every day presents a new set of challenges to be faced and, if possible, overcome.

But a crisis-management agenda has its drawbacks as well as its attractions. Any Attorney General soon fears that he may fall into the trap of focussing exclusively on the countless discrete problems, many of some difficulty, which cross the desk each day and thus lose sight of the larger issues. One such larger issue arises from the fact that the Attorney General has an important part to play in the administration of the criminal justice system. Indeed, there can be little doubt that it is his most important state responsibility.

As a result I am grateful to the Trustees of The Empire Club for their kind invitation today. It provides an opportunity to step back from the day-to-day issues which occupy an Attorney General's time and to reflect with you on the challenges which confront the criminal justice system in the late 1980s. It is a profoundly important question on the public agenda and I beg your indulgence to speak seriously about it.

The thesis I intend to present and develop can be summarized: 1) the criminal justice system is undergoing a major crisis of public confidence which threatens its integrity as a major institution of the civilized state: 2) the crisis arises because public expectations of the system are not being met; 3) the root of the public's lack of confidence rests on an ambivalence, or at least an uncertainty, about what the criminal courts should be doing.

I then propose with your permission to propose a contemporary reformulation of the role of the criminal courts in our society and suggest briefly how this reformulation can lead to a restoration of public confidence.

We begin by acknowledging the obvious: this province, and indeed this country, has long enjoyed one of the finest systems for the administration of criminal justice in the world. That system of independent and impartial criminal justice has been one of the basic pillars of our democratic tradition.

It has served us well for several generations. Yet, in assessing where we stand today, I think it must be conceded that there are unprecedented challenges facing us. Those challenges go to the very root of the system, namely, the public's faith in the system's ability to deliver justice fairly and expeditiously.

If the man in the street were asked to describe the criminal justice system and how it works, I think his description would be something like the following: The State through its Parliament or Legislature makes a list of morally repugnant acts which citizens, in the interests of order, are not permitted to commit.

That is the law. The police investigate an allegation that such act has been committed, a trial is conducted to determine if the allegation has been made out; if it has, a sentence of fine or imprisonment is imposed. Sentence is imposed not only as a punishment to signal the revulsion of the community but as a deterrent to others who may be disposed to do the same thing. That is the vindication of the law by which civil order is maintained.

Increasingly the average citizen has begun to believe that the present system fails in its ability to perform those functions in a satisfactory way. Many believe police investigations to be lengthy, unproductive and sometimes oppressive. Others believe the trial process to be long, too expensive and unfairly delayed; the result too often dictated by strict adherence to technical rules. In addition, some now assert that the system does not either punish *or* deter. There is thus an increasing sense among the public that persons accused, either with or without the assistance of lawyers, are thumbing their nose at the system.

The causes of these current challenges are complex and difficult to identify. However, in essence, I see our current problems as related to a subtle but fundamental shift in our notions of the purposes which the criminal justice system is designed to serve. We have failed to recognize and come to terms with this shift in our perceptions and with the strains and the costs associated with it.

There are at least three sets of challenges that are particularly significant.

The first set of challenges arises because the nature of criminal law, and therefore criminal justice, has altered. Before World War II, in a relatively homogeneous society, there was a shared moral perception, a shared community value, that enabled us to define impermissible conduct. There was then, and happily still is, no doubt that murder, robbery, theft and a host of others were properly defined as criminal. Because the public accepted to a high degree the very definition of crimes, the police and the Crown were seen as being about the public's good work; and, after the judge's determination of guilt or innocence, there was general respect for the inherent justice of the adjudication process.

But beginning about the time of the Second World War, two things happened. Parliaments and Legislatures, in response to perfectly reasonable public demands, began to radically expand the category of crimes for which fine or imprisonment were appropriate penalties. The list ran all the way from the wilful evasion of income tax to the commercial pollution of rivers and lakes. The laws that the public expected to be enforced by the criminal law increased one hundred fold.

At the same time, an increasingly pluralistic society began to find that the consensus about what was criminal began in many instances to disappear. For example, the Legislature's law about Sunday observance and Parliament's law about abortion, generally acceptable to the community one or two generations ago, became the subject of intense public debate. There is a host of other examples.

The courts thus found themselves being asked to fine or imprison persons in circumstances where there was no or little public consensus about whether the conduct alleged should be defined as a crime at all. The sense of shared values, the very sense of community, upon which the criminal law and the criminal justice process was founded and built began to atrophy.

The second set of challenges arises out of the enactment of the Charter of Rights in 1982. The Charter is perhaps the single most significant legal event of the past fifty years. In little more than four years, the Charter has forced significant and pervasive changes in the criminal justice system and its process. The most significant effect of the Charter has been to increase the power and the visibility of the judiciary.

The courts now have the power to scrutinize in a more rigorous and systematic fashion the manner in which the police investigate and the Crown prosecutes crime.

The courts also have a new responsibility to measure the validity of statutes against the open-ended constitutional guarantees set out in the Charter. Increasingly, then, the judge is seen not as one who simply applies Parliament's law, but as one who by virtue of the Charter brings his own perceptions to the propriety of that law.

As we, as a society, begin to see the practical effects of the Charter on criminal justice, some aspects of the new ground rules that are imposed are becoming controversial.

One question that has been raised by some critics is whether the Charter will have the effect of unnecessarily inhibiting law enforcement. This summer, for example, I had the pleasure of speaking on a panel with the Attorney General of the United States, Edwin Meese.

In Mr. Meese's view, one of the negative consequences of our Charter is that it provides accused persons with an opportunity to escape prosecution by taking advantage of technical mistakes made by the police. Mr. Meese contended that it is improper to attempt to punish the police by allowing individuals who may be guilty of criminal offences to go free.

Another question is whether the Charter will upset delicate legislative balances designed to affect or control important social or economic policy. In a recent Canadian case, a section of the Narcotic Control Act provided that a person demonstrated to be in possession of a narcotic had the burden of persuading a court that he had possession solely for his own use and not for the purposes of trafficking. When our courts declared this section unconstitutional, those who criticized it tended to focus on the judges who made the decision rather than on the Charter which mandated it. There is abroad some sense that we were moving toward a system in which man, not law itself, set the rules.

Another controversial aspect of the Charter is the extended period of time required for the appellate courts to decide constitutional issues. It usually takes two or three years for a constitutional challenge to work its way up to the Supreme Court of Canada. Occasionally otherwise responsible citizens have been led to conclude that, notwithstanding the determination by our highest provincial court that conduct is illegal, they are nonetheless entitled to carry on until the Supreme Court of Canada speaks. While we wait for our highest court to resolve these issues, both the accused and the Crown are thus placed in a kind of "legal limbo" in which neither is certain of its rights and responsibilities. This, in turn, leads to confusion and controvery in the mind of the public.

The third set of challenges facing the criminal justice system in the 1980s is the increasing delays and backlogs in our criminal courts. These delays are largely a product of the growing complexity and length of criminal trials. Cases have also been complicated by the application of the Charter and the rights it guarantees and more recently by other federal legislation such as the Young Offenders Act. And, finally, there are shortages of adequate court facilities with many of our existing buildings more than one hundred years old, outdated, too small and well below current building code standards.

In short, I think it would be fair to say that the criminal justice system in this province is facing challenges that go to the very root and integrity of the system. This is a matter not simply of concern to those directly responsible for administering the system but is a matter that should be and is of concern to all citizens. Public confidence in the justice system and the Rule of Law goes to the heart of our social fabric. The question which naturally arises from this review of these challenges is how, as a society, we ought to respond.

To answer this question, I think it is necessary to return for a moment to first principles and to ask what it is that we hope to accomplish through the criminal process in the first place. Why is it that we value our criminal justice system so highly and what are the background ideals that give substance and value to that system?

It seems to me that, when we state the question in this fundamental way, it becomes apparent that there are basically two quite distinct visions of the criminal justice system which confront us.

The first vision might be termed the traditional or "law enforcement" conception of criminal justice. It is an uncomplicated approach to the criminal law. According to this first vision, the criminal law embodies the fundamental moral principles or beliefs of our society. The criminal justice system exists simply to enforce those publicly declared rules in as rigourous and effective a manner as possible.

This vision has great appeal at the present time to many of our friends and colleagues south of the border; its current vigourous and ingenious advocate is the present United States Attorney General. His guideposts are a court committed to a "strict construction" of the Constitution, a denunciation of judicial activism wherever it may show its head and a return to a system in which the judge in criminal matters merely applies, but does not interpret, the law.

I think it is fair to say that this simple historic conception of the criminal law is now increasingly outdated. The nature of Western civilized society has unalterably changed. The developing pluralism of our community, the debate about the moral values upon which it is based, the absence of shared values, the frequent lack of consensus about what should be prohibited by law, and what should not, has probably put this original conception of the criminal justice system beyond recall. It might for some be a happy and comforting thing to return to an earlier age when the traditional law and its enforcement model had general public acceptance; but it is only the dreamers or the incurably naïve who would expect this to occur. The clock cannot be turned back; nor can the tide be ordered to recede.

In fact, the traditional law enforcement model has given way to a second vision of criminal law which is based on and emphasizes the fact that the system serves a variety of competing and often controversial purposes. And this second vision involves, difficult as it may be, abandoning the idea that we all accept the same set of shared values. If shared values means values about particular principles, about what counts as a decent or moral life, about what counts as justice or fairness, we are divided about all that. And many think, rightly I believe, that we should be a poorer community if we were much less divided about those issues than in fact we are.

The rationale for this new model of the criminal justice system and its core value to a pluralistic society is the notion of human dignity and human freedom. Its supporting theory runs something like this: law exists to enhance and deepen ordered liberty and individual autonomy. Law in general, and the criminal law in particular, should be structured and enforced so as to maximize the opportunity for individuals to choose for themselves how they will lead their lives. The pluralistic conception recognizes the reality that modern society's moral values are not fixed and unchanging.

The criminal law, therefore, cannot exist simply to mirror a fixed moral code. Instead, the criminal law is itself an instrument of social policy which can be used to consciously shape and refine moral values, to adapt them to changing circumstances, not simply to reflect them.

The new vision of the criminal justice system represents an attempt to limit, not to enforce, moral absolutism. The pluralistic conception builds on the idea that individuals hold a multitude of conflicting and often irreconcilable moral view points. Law should not be translated into the harsh dialect of a faction. The cornerstone of this system, including its criminal law component, should be the attempt to find common ground between competing viewpoints to assure maximum liberty, rather than to attempt to impose the moral imperatives of one group upon another.

As Professor Ronald Dworkin points out, if we as a pluralistic society are now without "shared values," we must move forward in our criminal justice system to a finer sense of fairness in process, a recognition that, although we differ about objectives and ends, we are nonetheless in the same lifeboat knowing that what we decide for one we decide for all and conscious in the end to leave no wounded behind in our search for justice.

It is no doubt true that our current system of criminal law embodies some of the elements of both of these contrasting visions of our criminal law. However, in general terms, I think we have seen a movement away from the traditional law enforcement vision of criminal law and an increasing acceptance of the values associated with pluralism. We have seen an emphasis in particular on the importance of individual rights and human dignity both domestically and internationally.

In the international arena, while there remains much injustice and oppression, there has at least been a growing awareness of the overriding importance of human rights, reflected in documents such as the Helsinki Accord. Domestically, of course, the language of rights has assumed new importance since the enactment of the Charter. The pervasiveness of the language of rights if reflected by the fact that virtually all interest groups now attempt to frame their arguments in terms of rights.

Coupled with these developments is a growing awareness that the criminal law can be used to shape public attitudes rather than simply reflect them. In Ontario, for example, we have had great success in reducing the association between drinking and driving. The problem has not been eliminated, but it has certainly be reduced significantly. We hope to undertake the same kind of program to deal with another major social disorder, domestic violence.

In short, the traditional law enforcement vision of the criminal law no longer fits present reality. The criminal justice system today serves a wide variety of purposes in addition to those of strict enforcement.

What is the connection between the two themes I have been developing thus far—on the one hand, the increasing stress and challenge to the criminal justice system and, on the other, the shift in our underlying vision of the purposes of the system? The connection, of course, is far from simple. But I would suggest that, as we have begun to adopt a more complex and pluralistic conception of criminal justice, this has led to a certain amount of stress and strain on the system.

First, there is the simple problem of resources. The new vision of the criminal justice system cannot possibly be run on the resources assigned to finance the older, simpler historic model. The emerging emphasis on individual rights which the Charter dictates is extremely costly for the justice system. Trials have become longer and *are* more complex. Police investigations *must* be more painstaking and exact. The interests not only of the accused whose rights may have been violated but also of victims and witnesses must be taken into account and protected. Our judges *must* be more highly trained and sensitive to the competing social interests which are increasingly at stake in a criminal trial. Our existing court facilitates must be expanded to handle trials that are the result of this new conception of criminal justice.

Second, there is a whole series of difficult moral and political questions that have been introduced into the system, questions for which there are no easy or simple solutions.

How, for example, are we to balance the rights of accused persons on the one hand against the rights of victims on the other? How can we balance the rights and interests of groups who do not have a shared or common perception about the propriety of criminal law? The interests of those who want to shop on Sunday and those who don't? The interests of those women who seek an abortion and those women who believe any abortion is a crime against nature?

How can we balance the right of society to see a thief punished against the right of a citizen accused of theft to be fairly treated in the investigative and prosecutorial process? Should victims of crime be involved in the criminal process in some way?

How can the criminal justice system cope with the long period of delay and uncertainty as constitutional challenges work their way up through the appellate system to the Supreme Court level?

What all of these questions suggests is that, if we are to meet the challenges facing the criminal justice system, we are going to have to do at least three things:

First, we are going to have to recognize and respect the task that we have assigned to our judges, which is simply to make the difficult adjustments that are required in the application of the law between the rights of the community on the one hand and the rights of the accused on the other. To pursue Dworkin's analogy, the judges are like the captain of a ship deciding which ten passengers may enter the lifeboat.

Justice must recognize that majorities do not always rule. Justice must recognize that arbitrary rules (the ten smartest, the ten oldest, the ten youngest) are not always appropriate. Justice in a rights-oriented society compels our judges to devise a rule which is sympathetic to the rights of the individual and which at the same time takes account of the necessity of public order. When we fully understand the subtle and critical exercise in which our judges in the criminal process are engaged, we will have at least laid a foundation upon which public confidence in the process itself can be restored.

Second, we are going to have to acknowledge that we are willing to allocate a greater proportion of our scarce resources to the criminal justice system, if we are to maintain public confidence in it. This means more and better training for our police forces, as well as raising the sensitivity and the skills of our judges and our lawyers. Otherwise, the long-term result will not be the enhancement of human freedom. Rather, we will see increasing stress placed on the system and the erosion of public confidence in it.

Third, I think we have to resist the temptation to return to our earlier, more simple, conception of criminal justice and to deepen our commitment to the values of pluralism and individual rights. When confronted by moral ambiguity and uncertainty, there is always a certain attraction to apparently simple or black and white solutions to complex moral problems. We are facing precisely this type of moral ambiguity in our court system, as we see intractable problems such as abortion and Sunday closing facing our courts.

As a lawyer and as a politician, the value which must be preserved before any other in such debates is the value of the Rule of Law itself. Regardless of our personal views on any of these particular moral issues, it is absolutely essential that we resolve to act according to law and observing the value of due process. The importance of the Rule of Law, of course, has been referred to on many occasions. However, a particularly eloquent argument in favour of these values is contained in a speech given by the Governor of New York, Mario Cuomo, in a speech he delivered to the Department of Theology at the University of Notre Dame in 1984. Let me leave you with his words:

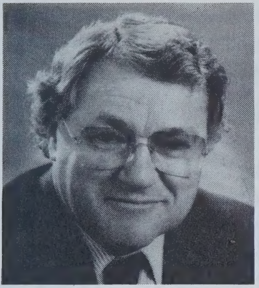
> "I protect my right to be Catholic by preserving your right to believe as a Jew, a Protestant or non-

believer, or as anything else you choose.

"We know that the price of seeking to force our beliefs on others is that they might some day force theirs on us.

"This freedom is the fundamental strength of our unique experiment in government. In the complex interplay of forces and considerations that go into the making of our laws and policies, its preservation must be a pervasive and dominant concern."

The appreciation of the meeting was expressed by John Campion, Partner, Faskin and Calvin, and a Director of The Empire Club of Canada.



October 16, 1986

Allan Fotheringham
Journalist

“CAPITOL OFFENCES: DR. FOTH MEETS UNCLE SAM”

Chairman: **Nona Macdonald**
President

Introduction:

Allan Fotheringham has become famous since we were both cub reporters in Vancouver. Both of us too, are Depression babies from Saskatchewan, but I like to see a hometown boy make good. So much so in fact that I framed one of his columns from Maclean's about our Motherland of Wheat and Sky. It describes a celebration to honour famous progeny from the dust bowl province. Among many, Allan discovered that the *Globe and Mail* society columnist, Zena Cherry was, as he phrased it, a daughter of the soil. Now Zena Cherry may be Saskatchewan born, but she is every inch Bishop Strachan bred. But, Allan went on to cheerfully chortle: Zena, who delineates the Canadian Establishment has become the ultimate arbiter in Toronto's social climbing scene, and that says Allan, “is true Saskatchewan revenge.”

Today the Foth has put his faith in a female for the future: the first woman Prime Minister of Canada. This week's back page of Maclean's is aglow with several hundred words about his choice, Adrienne Clarkson, who was also one of our star speakers at this club last year. Dr. Foth, I hope, if you are right, that she creates a cabinet post for you!

But where did Fotheringham's journalistic odyssey begin? After he left Gopher Snaring, he went to the University of British Columbia from whence he graduated, despite editing the campus newspaper. A Vancouver daily, the *Sun* hired him and he won a Southam Fellowship that sent him to the University of Toronto, where he claims to have consumed great quantities of sherry. That's something else we have in common; I too, have partaken of U. of T.'s academic sherry supply. Worldly wisdom was acquired in London's Fleet Street, Hong Kong's Chinatown and the Soviet's border crossings, but for all his attempts to avoid work, Maclean's and Southam News pay him for his prescience. CBC-TV's Front Page Challenge made him a resident panelist, and there are editorial landmarks. In 1980, he won the National Magazine Award for Humour, in 1982 and 83, Key Porter Books published two compendia titled respectively: *Malice in Blunderland* and *Look Ma! No hands.* And now, after two years as Southam's Washington pundit on the Potomac, he has produced "Capitol Offences—Dr. Foth meets Uncle Sam." No one at Key Porter books knew the exact title of his speech today, but I was assured it would be an insightful and witty look at Canadian-American relations.

Allan Fotheringham

I must confess at the outset I am here somewhat under false pretences because I am not a speaker. I am a writer and in circumstances like this I feel rather like Zsa Zsa Gabor's sixth husband—I know what to do, but I am not sure I can make it interesting. But I am, as you know from British California, also known as Bennett Columbia, the home of Socreds and Sasquatches, they are the ones with the big feet. We had a unique political situation in British Columbia for years as you know; it's unique almost anywhere and certainly unique in our country where we had a premier for twenty years, Wacky Bennett, and then under a short time span with a few democrats he was succeeded by his son, Miniwac, and I know Bill Bennett quite well, I drink with him and I play tennis with him and people ask the obvious question, whether Bill Bennett is just a chip off the old block, just a clone, and, in fact, he wasn't; Bill Bennett was his own man and he fought a lot with his father and is much different from his father. As an example, I always tell them that, when Bill Bennett went over to the Legislature in Victoria, he took the ferry, his father always walked. We now have a new premier in British Columbia, Bill Van der Zalm, the only reason he wears wooden shoes is to keep the woodpeckers away from his head. Things aren't too great in the economy in British Columbia, they haven't recovered from the recession as you people have. I was out there last week at the closing of Expo and I was in a bar and a guy was moaning to the bartender and he said: "Look, I am in the furniture business, I am going to lose my ass." There was a girl sitting at the bar and she said "Look, Buster, I am in the ass business and I am going to lose my furniture."

But what I thought I would do today in the hour and a half alotted to me, is sort of looking at a skipping-stone approach to Canada and dip below the border. Canada, as you know, is the second-largest land mass on earth filled entirely with jealousy and, when this country was stillborn a hundred and nineteen years ago, foreign observers looked and they said: "Now here is the perfect chance. We've got a new country and it can be built with the stability of the British parliamentary system with the advantage of French culture and the injection of American efficiency." You know what we have in 1986. We have a country with the stability of the French parliamentary system, American culture and British efficiency. Starting from the west in British Columbia, until Willy Wooden Shoes came along, Bill Bennett had been in some trouble, he was down for awhile to a majority of only three seats in the Legislature, the speaker was on a pacemaker, another senior minister had a bypass and the government whip, who was seventy-four, was involved as a correspondent in a divorce case, involving adultery in the back seat of a white Cadillac, and I know you think I am making this up, but it is British Columbia and so the fate of the Bennett Government depended not so much on the political profession as the medical profession. And considering their dispute with the doctors over fees, I would hate to have been the first Socred minister to go into the hospital for a vasectomy. He would come out with a tonsilectomy.

Alberta next, I don't understand and I don't pretend to. They have these tremendous majorities, 30 years for Social Credit and then for Longheed. I get the impression, Alberta voters don't so much vote as anoint. When they go to the ballot box, they don't cross an X, they sprinkle water. It is the only jurisdiction in history that has gone from poverty to decadence without passing two civilizations.

Saskatchewan next. I have a soft spot, as Nona said, in my heart for Saskatchewan because I was born there. I was born in a little town called Hearne; people from Hearne are called Hernias. In fact, the town was so small we could not afford a village idiot, everyone had to take turns. I eventually moved to British Columbia and improved the I.Q.'s of both provinces.

Manitoba is next. It used to be run by Sterling Lyon who had the misfortune to be born an only twin. The premier now is the charismatic Howard Pawley whose idea of fun is to go down to Eaton's on Saturday night and try on gloves.

And then there is Disneyland on the Rideau. Dear Ottawa, the city that fun forgot.

Pierre Trudeau. I am very intrigued to find all this talk about Trudeau coming back; the guy that has quit twice, you know, went for a walk in the snow, and he is going to come back and save the nation. He is the only man I've ever known who can strut sitting down. His alarm clock doesn't ring, it applauds. He is a brilliant man, as we know, and it is said that his only remaining ambition is to be a contortionist so he can die in his own arms.

I don't want to say anything about my competitors on the book tour, but Keith Davey. Keith Davey makes Judas Iscariot look like a team player. I knew that the Trudeau government was headed for defeat when I was in Ottawa and I was sitting in the Press Gallery looking down at the front rows and I had not realized before, the seating in the front rows, as Barney and Mr. MacLaren know, it's seniority and, as ministers die or retire or are fired, those remaining scrunch up closer to Himself. I had not realized this and I was sitting there and I looked down and saw, four seats away from the Prime Minister, Eugene Whelan. I shouldn't make fun of Whelan actually because he's had a piece of bad luck. You probably saw it in the paper the other day; there was a big fire at his house that destroyed his entire library including both books and one of them he hadn't finished colouring yet. Actually I am kidding about Whelan; I am told he is quite an intelligent chap. In fact, I'm told he reads in bed every night till his lips get tired.

But we are here for a serious speech. About the longest undefended boring border in the world and it is my contention that the United States and Canada are friends because of mutual ignorance. Canadians are very smug people, in fact they hold the Guinness Book of Records for smugness. Canadians think they know all about the United States when, in fact, all they know is the latest Johnny Carson joke and Teddy Kennedy's last nine girlfirends. As an example, there are more than two dozen universities in the United States, and serious universities like Duke and Michigan and U.C.L.A. with big programs in Canadian studies in their curriculum, there are less than maybe five Canadian universities that pay any attention to anything like equal studies on Americans. The ignorance goes both ways and even when the facts intrude, you cannot change the impression of the Americans which they get mainly every night from Dan Rather and Peter Jennings and Tom Brokaw that Canada is where the cold weather comes from and Americans have the impression that Canada is like a large refrigerator with the door left open.

As an example, Andrew Malcolm is an intelligent, curious journalist with the *New York Times,* he was stationed here in Toronto for four years as bureau chief. In fact, he had Canadian parents and he spent a lot of his time as a kid in Canada. In 1985 he wrote a book called "The Canadians," his impressions of his experiences. It was full of all the evocative examples of Americans' love when they think of Canada; and he described a country, our country that spans one quarter of the world's time zones and quote: "scattered across this area like a few specks of pepper on a huge freezer room floor are the people." He writes of "city suburbs where bands of coyotes threaten household pets," (seen any coyotes lately?), of lakes that are larger than entire U.S. states and have a forest six times the size of France; all true. He talks of Canada's North—one and a quarter times larger than India with fewer people than attend a New York Yankees baseball game; good stuff. He tells of a country so big and empty that it has less population density than Saudi Arabia; or how it takes 36 hours of solid driving to get from Toronto to the next large city to the West, Winnipeg. He only missed by twelve hours but that's O.K.

The smallest province, Prince Edward Island, is still almost twice as large as the smallest American state, Rhode Island. Texas, the largest state would fit inside Quebec with enough room left over for Connecticut and Delaware. They have room for four Britains in British Columbia and almost three Frances in Quebec, close to three Japans would fit into Ontario, which has fewer people than Tokyo. Our two Northern Territories are by themselves larger than West Germany, France, Britain, Italy, Egypt, Austria, Spain, Portugal and all the New England and Mid-Atlantic states put together.

There are 60 people per square mile in the U.S. as opposed to only six in Canada, and so on and so on. All this is true technically, but it is false in picture. The truth is that the people scattered like specks of pepper on the freezer-room floor are a more urban population than the United States. It's a nice myth to think of igloos and traplines, but the fact is that Canadians, as a whole, live in cities. Americans, as a whole, don't.

Some 29% of Canadians, more than one in four, live in metropolitan areas with a population of at least one million people, Vancouver, Toronto, Montreal. Only 8% of Americans, one in twelve, live in the same setting. More than half of all Canadians, 56%, live in cities of at least 100,000 population. Only 25% of Americans live in cities of the same size.

It is the mutual ignorance that flows across the border, that keeps us going. They think of us as a large empty country. It's empty, but a different formation than the Americans.

It is the myth of the easy friendship that I would like to try and demolish. We talk of the excited States of America. They got one description of Canada in the States, as they say, Canada is a decaffeinated United States. And they have a reason to be leary of Canada. President Warren Harding came to

Vancouver, had a golf game on a hot day and died before he ever got back to Washington. Franklin Roosevelt contacted polio in New Brunswick on his island of Campobello. JFK, who didn't like Dief and vice versa when he was forced into planting a ceremonial tree at Rideau Hall, aggravated his famous PT-boat injury in his back and spent a lot of the rest of his career in a rocking chair whenever in the White House and hated Dief ever after.

American Presidents can never remember the names of Canadian Prime Ministers. Lester Pearson was, we thought, a world figure; he had won a Nobel Prize and he had been Prime Minister for three or four years and he was invited down to the LBJ ranch in Texas. LBJ greeted him effusively as he got off the plane in front of all the TV cameras and said how glad he was to see his close friend, Prime Minister Wilson. They went in to dinner and after dinner LBJ demanded they go into the study to watch themselves on TV, put on all three TV sets and to his astonishment he saw himself introducing his close friend Prime Minister Wilson and he apologized profusely and Pearson said: "That's OK, don't think of it, Senator Goldwater." They appointed acid-rain ambassador Drew Lewis from the United States and Bill Davis, Jeff Stevens' close friend, from Ontario. They worked for over a year and Drew Lewis went into the White House with his report, came out and he stood in front of us on the White House lawn and said how much he enjoyed working with Bill Wilson.

Mulroney, early this spring was at the acid-rain summit in Washington and Senator Pell who is from Vermont, a border state, referred to him throughout the session as Prime Minister Muldoon. They don't understand and they don't care. But I think the Mulroney Government and the population as a whole has no understanding of what is going on in the United States, when the Mulroneyrites are running towards free trade and the whole move or action in the United States is the opposite. It is a protectionist move. At the moment there are 192 protectionist bills sitting in the congressional hopper. A lot of them are nonsense, attention-getting bills, but it shows the mood of the nation.

Lee I. Iococa was running around trying to be elected President on an arranged draft on an anti-Japan kick trying to stop foreign imports and they worried about Korea, and some of this now has slopped over to Canada. In the November 4 midterm elections, one senator who is a cinch is Bob Peckwood of Oregon, and he was the guy behind the shingles and shakes deal and he is the guy behind the softwood-lumber counter tariff that will probably be brought down today and is going to destroy whatever is left of the economy of B.C. He has a ten-million-dollar slush fund; he has the largest campaign fund of any candidate running in the November 4 election.

There doesn't seem to be an understanding on this side of the border of the mood of the United States. It's protectionist, it's isolationist and they want to go back to Fortress America. They have presidents who can do no wrong, Ronnie Rambo, who looks as if he will be the first president in a quarter of a century to last two full terms. Kennedy was murdered, L.B.J. was driven out by the kids over Vietnam, Nixon was impeached, Ford wasn't elected to anything, Carter only lasted one term and Reagan is the only guy since Eisenhower who has a chance of lasting two full terms and it is the most open presidential race since anyone can remember.

Literally twelve men have a chance of being president in 1988. On the Republican side I would suggest George Bush is fading, going down, it is being said that he suffers from terminal preppiness. Art Buchwald says that George Bush reminds every American woman of her first husband; now, how can you come back from that? Jack Kemp from Buffalo across the lake from here, it is suspected that his I.Q. equals the number on his football jersey. Someone said that he is like the River Platte, six inches deep and four miles wide. Paul Laxalt who is Reagan's closest friend from Nevada, is making a quiet run and has a problem with a libel suit with a Sacramento paper involving alleged Mafia dealings in a hotel in Nevada. I can't see how he can have a hotel in Nevada without Mafia links, but he has to get rid of that. And my man is

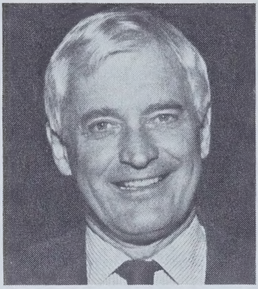
Bob Dole, the Senator who is a very tough guy and if he can curb his wicked wit, I think he is the guy on the way up.

On the Democratic side, the best guy, smartest guy is Mario Cuomo from New York, which should probably insure that he won't get it. He has the Adlai Stevenson disease, also the fact that the last time the Democrats, who now have lost four of the five last presidential elections because they keep running wimps like Mondale, McGovern and Humphrey. The last time, they ran a liberal from Minnesota and a liberal from New York and they were creamed and the South went republican and I think Cuomo is too ethnic and too New York to get the nomination.

Gary Hart is there, the man with no beef, a guy really on the rise and Charles Robb who has just retired as the Governor of Virginia, he is an L.B.J. son-in-law; he married one of those women whose name is Bird, I can't remember what else, he is highly thought of and they think will be a vice-presidential nominee if not the presidential and Ted Kennedy lurks in the wings; but every time he comes out of the wings yet another secretary, yet another mistress, writes yet another book and he goes down.

I just want to finish off by saying that I am not one of these Canadians who moans and wails about the American ignorance of Canada. I think that is a good thing. I don't think anything, your standard of living or quality of life (it's even more important), is affected by the fact that the Americans are not interested in us and don't know anything about us. When I would get worried is when the Americans do become interested in us. And I think of the countries they have become interested in, I think of Chile, I think of Iran, I think of Vietnam, I think of Grenada, I think of Nicaragua and I think of Libya, so I say, Let's keep that ignorance flying.

The appreciation of the meeting was expressed by the Hon. Barnett J. Danson, P.C., a Director of The Empire Club of Canada.



October 20, 1986
A joint meeting held with
The Canadian Club
of Toronto

The Rt. Hon. John N. Turner, P.C., M.P.

Former Prime Minister of Canada,
Leader of Her Majesty's Loyal Opposition

"LIBERAL VIEWPOINTS"

Chairman: **James K. Warrilow**
President,
The Canadian Club of Toronto

Introduction:

John Napier Turner is a man of many talents, who has given much to Canada during his years of public service.

He distinguished himself early, while still a student at The University of British Columbia—by winning a Rhodes scholarship, and has remained in the public eye ever since. After studying law at Oxford, and French in Paris, John Turner returned to Canada to complete his law studies. He first practised law in Montreal with Stikeman Elliot.

In 1962 he entered the House of Commons, and was appointed to the cabinet in 1965. A string of important portfolios soon followed, including Solicitor General, Justice, and Finance.

In 1975 he resigned and returned to private practice on Toronto's Bay Street.

Then, in 1984, some newspapers reported it, "Bay Street's golden boy made the shift from 'Bay Street to Main Street'" by winning the Liberal leadership contest, and the Prime Minister's job.

After his government was defeated in the September '84 election, John Turner continued to show his true mettle to the Liberal Party and the country. The characteristics that come readily to mind are: determination, commitment, integrity, and above all, staying power. In his youth, John Turner was a champion sprinter. With time, I think he has become more of a long distance runner.

In his private life, I'm told our speaker loves nothing more than to take his wife Geills, and four children on canoe trips in the Arctic.

Please welcome the Right Honourable John Turner.

John N. Turner

I would like to share with you some of my concerns about where the Mulroney Government is leading us, and to offer a few words on my agenda for the future of this country.

You know, perhaps better than most Canadians, that what is essential to the business community is stability and predictability in public policy. Without that stability and predictability in the marketplace, you will not be able to make the investments which stimulate growth and generate the jobs we need to move closer to our potential.

Today, I will summarize an agenda for reaching that potential—for fulfilling a Canadian dream.

But first, I would like to talk about two short-term initiatives of the Mulroney Government that complicate Canada's future. They inject uncertainty into our political and economic picture because they are being mismanaged.

In two critical areas, tax reform and trade, the Mulroney Government, rather than creating stability and predictability, is creating uncertainty and confusion. Business is having trouble knowing where to go and where to invest.

The Mulroney Government talked about free trade without knowing what it meant—or where it would take them. They are now talking about tax reform—and they don't know where that will take them either.

When Finance Minister Michael Wilson appeared before this audience last month, he had some difficulty explaining-first, why his Budget deficit projection of only seven months ago was out by $2.5 billion—and second, why the Mulroney Government, which originally had deficit reduction as its primary goal, was now telling Canadians that, in Michael Wilson's words "... a higher-than-expected deficit this year is not inconsistent with either our five-year fiscal plan or our fiscal principles."

So, in other words, 'We will do everything to bring the deficit down—but if it doesn't work don't worry! It's all part of the plan!' Canadians are now asking this government, 'What plan? Are you going to raise personal and corporate taxes if deficit reduction fails? What is your agenda? You say one thing then turn around and do another, and tell us everything is still on track.'

And now, the Conference Board of Canada has challenged the Minister of Finance's projections—arguing that the deficit will be as much as $8 billion higher than the Minister has forecast by the end of 1988. With that kind of record at targetting—how long would anyone last on your staff?

Is it any wonder that we are skeptical when the Minister talks about the government's commitment to tax reform?

If you look at the record of this government so far on tax reform, it is not very encouraging. When they were elected, they said their objective was to make the tax system 'simpler and fairer.' But the reality is that, in two successive budgets, the Minister of Finance attacked lower and middle-income groups and gave tax breaks to millionaires. Individual tax rates have gone up, while corporate rates have gone down.

Those budgets widened the gap between the rich and poor, and encouraged rather that hindered the growing problem of the concentration of economic power in fewer and fewer hands.

Fairness? Under the two Wilson budgets, those earning $15,000 a year face a cumulative tax increase in four years of 23%; while those at $100,000 have an increase of only 2%.

Fairness has not been the over-riding principle in the last two years. Why should we believe that suddenly it is now?

We have seen hopeful rhetoric about the need to change the tax system, but no concrete proposals.

I believe that any agenda for tax reform must be based on three very clear principles: fairness, simplicity, and efficiency.

We have closely watched the U.S. example, and I believe that we must, of course, take into account the changes being implemented in that country, but without jumping on the U.S.

bandwagon. But nor do I propose going in the opposite direction. We should note that the Minister of Finance has been doing just that by giving a $500,000 capital-gains exemption while the Americans are moving to tax capital gains as income. Moreover, the Americans are proposing to lower personal income tax rates while the Minister has imposed surtaxes on income.

There are too many contradictions and too many unanswered questions in the approach of the Mulroney Government to tax reform.

For example, he has talked about imposing a Business Transfer Tax, something which was not mentioned in the Throne Speech, and something about which we have heard very little. It would be a massive tax on consumption which would replace the sales tax, and at the same time broaden the base. This kind of tax is not only regressive, it is almost invisible—you wouldn't know you were paying it. Unfortunately, this government is an expert in introducing hidden taxes. What effect would this have on low-income Canadians? On small business? On the housing and construction industries? On the service industries?

The promise to reduce income-tax rates is very attractive. But we must know which deductions and exemptions are going to be eliminated to replace lost revenue. The Government has a duty to tell Canadians which exemptions they are looking at. Will it be the basic personal exemption? The exemption for senior citizens? The exemption for dependent children? The RRSP deduction?

Those are tough choices. They are choices only a government in power can make, because only a government in power has at its disposal the information on what those exemptions and deductions amount to in terms of foregone revenues.

I believe that there are a number of tax shelters and tax expenditures that also have to be examined.

In making our tax system more efficient and more fair, we should be asking ourselves if those many exemptions still encourage the kinds of activity we want to encourage.

I believe that the reform of our tax system must also go hand-in-hand with the reform and strengthening of our social programs because any changes in the tax system will have an important impact on how we operate those programs.

We in the Liberal Party are seriously examining the concept of a Guaranteed Annual Income which will support those most in need with dignity and encourage an end to the welfare cycle. I do not say that this will be accomplished overnight. The provinces will have to be involved at every stage. Decisions have to be made about how best to achieve the results we want while maintaining or enhancing current levels of support for those most in need.

But I do not want us to fall into the trap of simplicity at the expense of fairness.

There must also be stability in the tax system. Once changes are made, they must stay in place for some time.

I can assure you that I and my party intend to concentrate on proposing means to put equity back in the tax system, and that we will not lose sight of the goals of fairness, simplicity and efficiency in pursuing that quest.

The other area where I believe that the Mulroney Government is creating confusion and instability is in the free-trade negotiations with the United States.

We do not support their initiative. We believe that the negotiations have been ill-timed, ill-managed and ill-prepared. The Government has sent us into a hyped-up comprehensive bilateral treaty negotiation with the United States without any debate in Parliament and inadequate consultation with the provinces.

I don't believe that there will be any comprehensive free-trade agreement. No Canadian Government can risk opening up the Auto Pact, dismantling our agricultural-support programs, or not protecting our cultural industries.

I doubt whether we can get an overall agreement with the United States that will adequately protect our interests. But to walk away now—as the Prime Minister keeps hinting—may unleash damaging countervailing action against us. The Prime Minister has painted Canada into a corner.

But the talks are still on. If they continue, we believe they must satisfy the following four concerns:

1) We should have a standstill agreement—a suspension of unilateral countervail action during the negotiations. No further harassment as we have seen on lumber. Any agreement on trade with the United States must contain a severe restriction or elimination of countervail action by the United States—without which there is no security of access for Canadian products. As the lumber case shows, without an agreement on countervail, we should continue to be subject to actions which would devastate whole industries.
2) I have proposed that joint Canada/U.S. Trade Tribunal, appointed by Congress and the House of Commons, be established to mediate disputes.
3) We must have agreement with the provinces on a ratification formula. The reduction of non-tariff barriers to trade—most of which are at provincial and state levels—requires provincial involvement and consent.
4) We must have an adequate phase-in and adjustment period for businesses and workers who would be dislocated by any such agreement.

I have argued that while the United States is our largest and most important trading partner, it is not our only trading partner. The bilateral approach should be simultaneous with a multilateral, international approach. I believe this government, with its primary focus on the United States, is overlooking a key area in which our voice—Canada's voice—should be made stronger.

We in the Liberal party have always recognized and encouraged that international role. We have always favoured liberalized world trade—lowering trade barriers, such as tariffs, quotas, subsidies, and procurement policies—on a worldwide basis.

Under a Liberal Government, Canada was a co-founder of the GATT. We are committed to it. More international trade builds greater interdependence. Greater interdependence provides growth and a better standard of living for ourselves and for our trading partners. It also helps to bring all nations closer together and encourages a climate of peaceful coexistence.

We must also encourage more countries to join the GATT process. That is why we disagree with the Mulroney Government's decision, once again, to follow the lead of the Reagan Administration to object to having the Soviets as a member of the GATT.

While I do not argue that the inclusion of the Soviets, or the Chinese, or other state-run economies would automatically solve all the problems of the international trading system, I do believe that their inclusion would greatly help us in opening up new markets, and give us some leverage to ensure they adhere to GATT rules—particularly in agriculture. It simply makes sense that our largest customers be at the table when agriculture subsidies are being discussed.

I believe that Canada can and should play a more active international role in trade, and not limit ourselves merely to bilateral negotiations.

I have accepted what I believe are two critical tasks. First, to lead the renewal and rebuilding of a great national Party. That process is well under way. We will begin to see some of the results of that at our policy conference in November.

The second is to respond to a feeling I had—and still have, shared by you I am sure—that somehow, despite being given the most abundant heritage on the face of the earth, we are not living up to our potential as a nation.

What should we do? First, we must begin by standing up for our own country.

We need to say we are proud to be Canadians, and to assert our sovereignty. And nowhere should we assert that sovereignty more forcefully than in the current trade negotiations with the United States.

Second, is the need to think smarter and work smarter. How? We need to focus on education and training; mount a national campaign against illiteracy; provide a national apprenticeship program for young people; refine our unemployment insurance rules to promote training and retraining for those displaced by technological change; continue to strive for excellence as a people.

We have seen a few days ago what true excellence is, when our Dr. John Polanyi was awarded the Nobel Prize. We are proud of that.

Third, we need to make sure equality of opportunity really means something in this country. That means moving against discrimination in all its forms. We must also re-establish the Liberal policy of regional equality—everyone, no matter where we were born, or where we live in this country, deserves a fair chance for an education, a job, and a secure retirement.

Fourth, we have to become more competitive as a nation. No negotiations with any country are going to solve our problem if we are not competitive. We need to spend more, and not less, on research and development. We need joint labour-management goals for the quality of work, profit-sharing, and more decision-making closer to the workplace. Competition is the best fuel of excellence.

Fifth, we must restore trust and confidence in our public institutions and in those who hold public office. What Canadians tell me is that we have to clean up our act. The brunt of their disappointment is directed at the Mulroney Government, but we on the other side did not get glowing report cards either. We need to restore faith in the integrity of those whom we elect to do the public business of this country.

I am not one of those who believes that because I am a Liberal, I have a divine right to govern.

I believe that public trust has to be earned—not by political rhetoric—but by what we do.

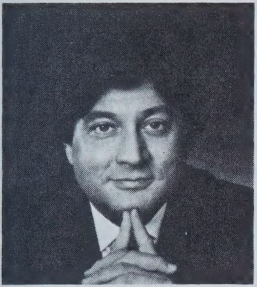
I am dedicated to achieving that. For me, it is the challenge of a lifetime. It is worth doing. And nothing will deter me from reaching that goal.

Appreciation of the meeting was expressed by Nona Macdonald, President of The Empire Club of Canada.

Today, Mr. Turner, you have given us a forceful public accounting of the Liberal Party of Canada and what you their leader represent. The Empire and Canadian Clubs are honoured to have this opportunity to provide a platform for hearing the views of the Leader of the Opposition. Long may we preserve this open, democratic society in which you, Sir, command such deserved respect. We are all aware that you have worked hard this summer and fall travelling throughout Canada to meet your constituents (and so I'm told, try out some of their local tennis courts!) But today, we have been brought to the hard surface of your views on trade and taxation.

We regret that space did not allow for another 500 places at our tables. This sell-out is a tribute to you. It is also an example of team work and co-operation *par excellence.* A vote of thanks is due your party workers, and the Canadian and Empire Clubs' staff and officers. On behalf of both Clubs, may I extend our appreciation and good wishes to you and Mrs. Turner.

Thank you.



October 23, 1986

Garth Drabinsky

Chairman, President
and CEO of Cineplex
Odeon Corporation

OBSERVATIONS OF A CANADIAN MULTINATIONAL: THE U.S. EXPERIENCE

Chairman: **Nona Macdonald**
President

Introduction:

Garth Drabinsky is a phenomenon. To prove the use of this superlative, let me define first the word then the man. Phenomenon means many things: prodigy, wonder, marvel, miracle, manifestation. Drabinsky means many things: business, law, films, theatre, author, publisher, young, Canadian.

Thus Garth Drabinsky is indeed a phenomenon—and for those skeptical about superlatives, let us begin thirty-seven years ago when Garth Howard Drabinsky first entered the world with the help of a physician who was, as fate would have it, related to another movie mogul, David I. Selznick. Did Providence play a part or did a childhood bout with polio motivate the determination and achievement that marked his development? He completed high school as president of the student council of North Toronto Collegiate, and after Commerce and Law studies at the University of Toronto, he was called to the Ontario Bar with honors.

Simultaneously, he had been publishing cinema journals and producing television programs. By 1967 he had written his first book, entitled, *Motion Pictures and the Arts in Canada, the Business and the Law.* Together with his mentor, Nathan Taylor, he founded Pan-Canadian Distributors, now

Canada's largest film outlet.

His first film productions won awards and featured Hollywood stars. Both *The Silent Partner* and *The Changeling* garnered the Canadian vote for best picture of the year. George C. Scott, Melvyn Douglas, Elliott Gould, Christopher Plummer, Susanna York, Lee Remick and Jack Lemmon are among the talent employed. Numerous Canadian and American film productions are made at his International Studios, Canada's largest film studio complex.

But all this doesn't deter him from being a good corporate citizen. He volunteers his expertise as a board member of the Academy of Canadian Cinemas, the Toronto and Vancouver film festivals and the National Theatre School of Canada. As befits a phenomenon, Garth Drabinsky has been an "angel" backing theatrical ventures in Canada and the United States, but it is his business enterprise that is truly phenomenal, indeed mammoth and colossal!

Through acquisitions both here and in the U.S., Cineplex Odeon is now the largest motion picture chain in North America with 1,400 theatres in 460 locations. Teams of architects and designers have restored and renovated old movie houses or built new ones. They feature luxurious interiors, many enhanced by works of many of our own Canadian artists.

Incidentally be it known that our popcorn table treats today are from another division of Cineplex Odeon. And so, a showbusiness welcome is due a man who is a "multi-talent" in himself: lawyer, impressario and entrepreneur. Will the real Garth Drabinsky please stand up and come to center stage?

Garth Drabinsky

For the past two years, not by choice but because my business life so dictates, I have been travelling almost constantly throughout Canada and the United States. I have spent literally hundreds of hours, most often all by myself, in a small jet, flying to and from obscure communities the scheduled airlines have never heard of—from Kingston, Ontario, to Kingsville, Texas, from Prince George, British Columbia, to Petersburg, Virginia, from Ocala Springs, Florida, to Odgen, Utah.

I have found these long periods of enforced isolation conductive to thinking, and I have found myself comparing these two countries. Of course, every Canadian worth his salt devotes time and energy to trying to understand their similarities and their differences—it's the great Canadian indoor sport—but the subject fascinates me even more than most, because my company operates theatres and distributes pictures in both countries and so relies heavily on the inhabitants of both to support its continued growth and vitality.

It is, therefore, not surprising that I often find myself using these really precious quiet moments to ask myself basic questions and to reflect on their answers—questions such as: What factors mould the soul of a country and the inner fibre of its people. What factors result in a country's striving for greatness. Is it pride in what has already been achieved? Is it awe at what remains to be done? What is it that forms the vision of a nation at a particular time in terms of what it wants to accomplish. What leads its constituents to act with vigour and enthusiasm? What moves them to talk joyously, rather than dolefully, about the quality of life?

What can be learned from people's attitude to discipline, or their commitment to hard work, or their determination to improve their standard of living, or their will to develop an intellectual climate in which creativity can flourish in every field of human endeavour? In other words, what brings about an age of renaissance, when minds are flourishing and the tides of inspiration are running high?

Clearly no single factor, no one combination of factors, can provide the answer. There is no general theory of economic or creative growth to which all case histories conform, whether one is trying to account for an industrial revolution or a new movement in the arts.

But certain factors are advanced again and again and must be considered as any country's basic minimums—a favourable natural resource position; a religion that stresses dynamism rather than contemplation, and sees nothing wrong with either capitalism or hard work; a stable and rational legal system.

Given such basics as these, a nation ought to be positioned for experiment and innovation, and ready for economic growth. This, in turn, should lead to the appearance of an entreprenurial group, men and women of unusual moral energy and exceptional boldness and determination, under whose charge new sectors of the economy can be developed, and new products and services, and new methods of producing and delivering them, can be introduced. Such men and women are the shock troops of economic and cultural change.

There are other factors, too. Some, like Japan's prime minister, Yasuhiro Nakasone, say that a monoracial society has an advantage—apparently because everyone thinks alike and can work together more efficiently. Others think a multicultural society is best, with each group stimulating the other on to greater achievements. The supporters of this latter view, of whom I am one, point to the fact that the Japanese have won fewer than ten Nobel prizes and the Americans more than a hundred.

Some think that climate is of great influence, and that those who are lucky enough to live where the seasons change from bitter cold to suffocating heat benefit from the stimulation that comes from having to battle the elements, while those who live where the seasons vary little, and the comfort level is generally higher, tend to get lethargic.

And some think it is all a matter of time. Nations and empires rise and fall. History records that they gradually ascend from their primitive stage through to their age of grandeur—and then, ineluctably, they fall back to mediocrity and impotence.

One thing is certain: no society whose people can be described in the words of Goethe as "specialists without spirit, sensualists without heart," can be expected to advance itself. Rather, such a society will languish in the doldrums forever.

We who are fortunate enough to live in Canada at this very moment would seem to be poised for greatness: we are second to none in the heterogeneity of our racial mix; no country has a more rigourous climate; and all agree that we have not yet reached our ultimate potential.

Many used to say that the twenty-first century would be

Canada's. Can we still expect to attain this goal with any measure of confidence? Collectively, we seem all too ready to give up our dreams of greatness and settle for a comfortable existence. The very factors that should urge us on to the top are those we seize upon as excuses for remaining where we are.

As to climate, we say that the country is livable only within a one-hundred-mile strip along the American border. No one mentions former Prime Minister John Diefenbaker's Vision of the North any more, though it gained so much political currency in the sixties. As to our mixed races, instead of revelling in the richness and variety of the cultures we can draw upon, we deplore the difficulty and expense of making the country bilingual for its two founding language groups, each more concerned with preserving its linguistic privileges and prerogatives than in working together in the interest of Canada as a whole.

And if, as Shakespeare said, "There is a tide in the affairs of men which, taken at the flood, leads onto fortune"—well, we seem to have missed that tide. Although Canada emerged from World War II as the second-richest of nations, with a considerable industrial base, we have now been overtaken by at least half a dozen others.

But what most stifles our creative initiatives in this country is surely our negative attitude towards ourselves. Unlike Americans who revel in their successes, our successes tend to embarrass us. Unlike Americans who exalt the human spirit, we tend to repress it. Americans love a winner. They unabashedly applaud vision and boldness. Canadians prize those who conform to the norm.

On every hand, and with respect to every phase of our lives, you hear Canadians talk about their inferiority complex. Nay, more! They talk about themselves, without any real cause, not as if they have an inferiority complex but as if they were really inferior.

There are, of course, reasons (or are they excuses?) for this national state of mind that stem from the way the country developed.

One is that Canadian society, as we now know it, was created by a large number of immigrants moving into vast, vacant geographical areas. These Canadian immigrants were never absorbed into the Canadian psyche so as to bolster national esteem and a distinct Canadian identity. Many came to Canada as a less-desirable alternative because their first choice, usually the U.S., was not open to them. Although their new country was preferable to what they had left, they did not let go of their roots—they clung to them. In the United States immigrants dissolve into what June Callwood has called "a melting pot of bubbling assimilation." In Canada, the respective cultural elements remain distinct; they never merge into a strong coherent whole.

Then, there is the almost overpowering influence of the United States. The American example of economic success unparalleled in history has exerted an enormous gravitational pull on the people of Canada. It urged them to emulate the American example, to attempt to mimic the methods that had made the U.S. a leviathan. It also generated in Canada a loss of identity, a fear of eclipse, a fear of being overwhelmed by American economic and cultural imperialism, so that our ancestors began to betray that curious negative psychology that is characteristically Canadian. They struggled to build a northern nation that was almost by definition anti-American in response to American predominance on this continent. Yet, at the same time, they felt driven to attempt to gain access to American markets and to copy the American success story. And so that dichotomy that has always marked our approach to life was established.

We Canadians have always thought it bad form to talk about our achievements; not only that, we have never seemed to want to hear about the achievements of other Canadians. We especially have difficulty in according praise, however well merited, to young men and women who have not yet become part of the Establishment, but who manifest zest and passion in pursuance of their entrepreneurial objectives. Envy of success remains one of the most evident of Canadian social traits. Although a growing number of Canadians know when something is good or excellent, for the most part the recognition, or at least the confirmation, of excellence must come from a portfolio of laudatory foreign press clippings.

There has always seemed to be less optimism here, less faith in the future, less willingness to risk capital or reputation. Contrasted to the U.S., Canada has been a country of caution, reserve, and restraint. Canadians have been risk-avoiding financiers rather than risk-taking entrepreneurs.

I take great exception to the fact that all too many Canadians still feel reassured and nod knowingly when some Canadian businessman gets outfoxed in a foreign deal. It sometimes seems to me that every Canadian knows about and takes perverse satisfaction in these sorts of business events:

1. That Canadian Tire dropped $44 million on its U.S. chain, White Stores.
2. That Daon and Nu-West, having purchased substantial U.S. real estate interests at inflated prices, were compelled to sell out in a market of depressed prices, with, of course, horrendous economic consequences.
3. The Maislin Trucking bankruptcy.
4. Hiram Walker's $200-million miscalculation on the purchase of the Davis Oil assets.

And with all the conviction I can muster I say that there is no reason to perpetuate this national pessimism that has inhibited our imagination for decades.

I have had ample opportunity to study American attitudes, work habits, mental process and—finally—their accomplishments. It is not mere chauvinism that leads me to the conclusion that Canadians have not the slightest reason to feel inferior. One admires the Americans for their exuberance, their self-confidence, their willingness to take risks, their bland assumption that some country must lead the world and theirs just happen to be the one to do it.

But wait a minute! There are many things Canadians do better, and many Canadian attitudes that are more conducive to higher achievement.

All over the United States, Canadian real estate developers are reshaping the urban architecture of America. Olympia & York has become one of New York's largest landlords and has devised remarkably imaginative plans for rejuvenating that city. Cadillac Fairview has repeated its unparalleled Canadian success south of the border in creating the ultimate in shopping centre environments. Canadian architects such as Arthur Erickson, Eberhart Zeidler, Raymond Moriyama, and Boris Zerafa, are demonstrating to America inspired new approaches to redeveloping city blocks.

Other Canadian corporate success stories that have brought lustre and glory to our country spring readily to mind:

1. Rogers Cable and Maclean Hunter, who control U.S. cable enterprises serving hundreds of thousands of subscribers.
2. Bombardier, which has developed a new design of diesel locomotives and is competing head-on with the goliath of North America, General Motors.
3. The Four Seasons Hotel Group, which builds major luxury hotels and operates them to impeccable standards throughout the United States and Europe.
4. Northern Telecom, which has become the second-largest supplier of communications equipment in North America.
5. The Thomson Newspaper Group, whose holdings continue to proliferate in the United States.
6. Magna International, a diversified manufacturer of parts for the North American automotive industry.
7. George Weston Limited, a huge wholesaler and retailer of food right across the continent.
8. Moore Corporation, the largest producer of business forms in the world.

As a result of the efforts of the successful businessmen who run these corporations and the new generation of young men and women like Alfred Sung, Lise Wattier, Michael Bregman, Peter Nygard, and Michael Budman, who exemplify youthful confidence and verve in all that they do, we in this country can now look to other Canadians as role models—men and women who are generating our own native brand of entrepreneurship—the link that has been missing so far in the Canadian equation of economic growth.

May I suggest several reasons for the success Canadians have achieved in the U.S. markets: by and large, Canadians take greater pains, set themselves higher standards of perfection, and then uncompromisingly work to those standards.

In everything they do, Americans cater to a much larger market than do their Canadian counterparts. This fact alone gives them a much greater chance of success. The limits of tolerance, the margins for error are much coarser and broader. They can therefore afford a greater degree of carelessness, even sloppiness, than Canadians can permit themselves if the latter are to sell their goods or their services into their much more restricted marketplace. Canadians seem to take this in through their pores at an early age—the fact that they must work more diligently and more skillfully. It also accounts for the fact that when Canadian corporations, having achieved success at home, take the battle to the Americans in their territory, they enjoy a competitive advantage.

From my own observations, Canadians try harder to cultivate such attitudes as pride in, and enthusiasm for, the organization, a livelier concern for how their customers will perceive the service and quality being provided, higher and purer standards of integrity, constant mindfulness of moral values. All of these characterize our corporate efforts in the United States and help us to attain excellence and achieve success in the U.S. marketplace.

I believe that the case history of my own company, and that of the industry it forms part of, will provide further evidence of the conclusion that Canadian entrepreneurs, professionals, and craftsmen are capable of performing higher levels of achievements than their opposite numbers in the United States.

The motion pictures on the screens of North America today are the end-product of a history of tumultuous development that is still taking place. The successes of Lumière and Edison in photographing objects in motion in 1896 led to the first primitive movies, which were shown in the U.S. and France in what were then called Kinetoscope and Cinematograph parlours. Crowds in both countries flocked to see this new sensation.

As the technology developed, and cameras, film, and projection devices were swiftly improved, astute businessmen just as swiftly came to realize the money-making potential of charging the public modest amounts to see films. The early years of the industry were marked by attempts of a motion picture trust, established in 1908 by the holders of various patents, to create a monopoly that characterized the industry's relations among its members in a manner that persists right up to the present day.

This trust engaged in crude and oppressive business practices that fostered resentment and discontent. Eventually, its control of the industry was undermined by the growing number of independents that sprang up all over North America in production, distribution, and exhibition. From the ranks of these same independents emerged the founders of companies that were later to become Hollywood's giants: Carl Laemmle, founder of Universal; William Fox, founder of Fox Films, which later combined with Twentieth Century Pictures to create Twentieth Century Fox; Adolph Zukor, who came to dominate Paramount Pictures; and Marcus Loew, who formed MGM.

At about the same time, the production industry moved west from New York City to Los Angeles, although New York remained the industry's financing capital.

From the yeasty ferment of growth and change that was the movie industry in the first quarter of this century, emerged the motion picture palace, a creation of awesome beauty to all who beheld it.

Most of these palaces were built between the First World

War and the Great Depression, in the age of frivolity and naïve optimism that ended so abruptly on a black Thursday in October 1929. The largest cities and the smallest towns soon boasted regally outfitted movie houses that spelled out fun, enjoyment, and escape to the millions of that era who wanted so desperately to lose themselves in make-believe.

The theatres ranged in style from those that were bewilderingly eclectic to those that were near-perfect replicas of European castles, Oriental palaces, and the Mayan tombs. Even the Hanging Gardens of Babylon were incorporated into theatre design. Paintings by the old masters lined the walls of the grand foyers.

Outside facades were set ablaze with electric lights flashing incessantly to attract the susceptible to these peculiar new emporiums where dreams were always for sale for a pittance. So elaborate were they that Marcus Loew, head of the largest chain of these remarkable structures, could truthfully state:

"We sell tickets to theatres, not movies."

As the twenties came to an end, sound was introduced to motion pictures, on the eve of the Great Depression. During the time of economic collapse that followed the crash, the large sums required to install sound equipment could only be provided by the banking giants of the East Coast.

And it was no coincidence that the companies they most favoured were those that manifested the most vertical integration—those that controlled exhibition, distribution, and production. And those companies proved to be the ones that survived the depression period intact—Warner Bros., RKO, Twentieth Century Fox, Paramount, MGM, and the then-somewhat-smaller Universal and Columbia.

Under the financial constraints of the Depression, theatre owners and their architects had to modify their more-grandiose designs and the golden age of picture palaces came to an end. Art Deco was adopted, mostly as an economic measure, a respectable attempt to maintain quality of design without profligacy.

All the while the aforementioned eight major studios maintained a measure of control over the business that the organizers of the early trust would have envied. In 1938, and again in 1944, in response to complaints of disgruntled independent theatre owners, the Justice Department brought actions charging the studios with illegal conspiracy to restrain trade.

In 1948, a Consent Decree was signed that finally separated production and distribution from exhibition. It was this decree, as much as the emergence of television and the fragmentation of audiences caused by other media, that brought about the decline of theatre audiences and ushered the movie business into the modern era.

Once divested of their theatres, the studios realized that they didn't have to supply a new picture each week—the resulting shortage would not be their problem but that of their successors in ownership of the theatres they had been forced to sell—and the studios reduced production schedules substantially. Movie admissions began a steep downward slide.

The multi-thousand-seat palaces of the 20s began to slip into the red. Dozens of once-prosperous landmarks, like the Roxy in New York, were demolished all over the continent, in solemn witness to the passage of an age. The list of theatres taken down to make way for office blocks, hotels, or that great menace to all historic structures, the parking lot, grew long and heartbreaking. The once proud Granadas, Strands, Rivoli's, Tivoli's, and Orientals stood no more.

Perhaps one of the most significant aspects of the 1948 divestiture, and one that has not been heretofore recognized as such, is that the businessmen who purchased the circuits from the eight major studios were a much different breed from the flamboyant but knowledgeable characters who had built them. They were not impresarios. They had little appreciation of the kind of ambience a theatre must provide to maximize the effect of a motion picture. Make no mistake, the almost chemical effect with which a good motion picture alters the mood of its audience can be dissipated or destroyed if it is shown in the wrong physical setting.

These new, and, in many cases, inexperienced owners, failed to realize that the fun of movie-going includes more than just seeing the film. It is the subtle blending of a series of pleasurable stimuli—the initial anticipation, the feeling of elegance, the congeniality of the surroundings—these are what establishes the final satisfaction, the total experience.

The day of the entrepreneur and showman in the motion picture exhibition industry had passed—at least for a time. These new owners were, at the outset, concerned almost exclusively with extracting the maximum cash flow, notwithstanding the depletion of assets, and, as they grew older, they became more and more preoccupied with planning their estates. Such new theatres as were constructed in North America were either inferior and ill-planned splits of properly proportioned auditoriums, or brand-new multiplexes with drab, antiseptic, uninspired interiors.

Few owners had the perception to envisage re-designing the surviving palaces of the golden age in aesthetically satisfying ways to create a new form of multiplex without surrendering the glorious features of the original. For almost forty years, the same dead concepts and designs were reproduced slavishly whether or not they served the true needs of theatre patrons.

It was this atrophy of the U.S. exhibition industry combined with my company's urgent need to expand in the U.S., because we had reached virtually to the end of possible expansion in Canada, that provided Cineplex Odeon with its window of opportunity.

Today, we are the largest theatre circuit in the world. We recognize that motion pictures represent the greatest cultural revolution since the invention of the printing press and that we are in many ways the custodians of an important part of the social fabric of the two countries in which we operate.

We take very seriously our responsibility for the long-term viability of our industry, and for making sure it remains an important part of the life of North Americans. And so we are heavily engaged in an expansion and refurbishing program in nineteen American states and six Canadian provinces.

In this, we are guided by our determination to engender a renaissance in theatre design and construction that will bring back to our patrons the rush of excitement, anticipation, and curiosity that should be theirs when they leave the techno-regimented world of their daily lives for the fantasy world of escape that is the movies.

We are striving for originality and new approaches—to demonstrate to our patrons and our industry that there can be a sharp sensory pleasure in going to the movies, a perceptible thrill that has been missing, at least in part, for the last forty years. Whether we have achieved at least some measure of success can perhaps be best judged by the awards we have won, the favourable notices and comments that have appeared in the most influential newspapers and magazines of both countries, and the votes of the audiences to whom we are appealing, registered in great numbers every day at the box offices of both our new and our renovated theatres.

To sum up, a new day has dawned for Canada. In view of our obvious accomplishments, there is no need for us to lack confidence, drive, and national verve. If we continue to do so, we will condemn uncounted future generations to limited horizons with no alternative but to leave the land of their birth for more challenging opportunities elsewhere.

And we simply cannot afford to keep on losing our excellent people in all fields of creativity. We must not allow a slow internal erosion to develop through a narrow-minded outlook. We must not retard either the economic or the psychological development of Canada. We must ensure that this unique country realises fully its economic destiny and its unlimited ability to contribute to the whole world's development. We must keep on proclaiming our confidence in our ability to compete internationally. We must believe more and more profoundly in ourselves.

Former U.S. President Franklin D. Roosevelt once told his countrymen

"The only thing we have to fear is fear itself."

I say to you today: the only thing we Canadians need feel inferior about is our well-known inferiority complex. It saps our will and stands in the way of our achieving all those wonderful things that are well within our capabilities.

Let us rather, revel in and speak proudly of our recent accomplishments, not only in business but also in the humanities and sciences, let us cheer mightily at the recognition accorded Canadian co-winner of the 1986 Nobel Prize in chemistry, John Polanyi; let us aspire to greatness; let us go on to ensure that the next century really is Canada's.

The appreciation of the meeting was expressed by Miss Lindsay Shaddy, policy analyst, Canadian Bankers' Association, and a Director of The Empire Club of Canada.

October 30, 1986

Maureen Forrester

Chairman, Canada Council
Internationally noted contralto

"OUT OF CHARACTER"

Chairman: **Nona Macdonald**
President

Introduction:

There's a nursery rhyme about Little Tommy Tucker who sings for his supper, but what an epic poem could be written about Maureen Forrester—when she gives voice, banquet-hall doors open wide in places where princes and presidents reside.

Life as an international celebrity is as glamourous as young Maureen dreamed of as a child growing up in Montreal. Her majestic contralto is heard in concert halls and opera houses around the world and we were lucky today to have her give us a sample with "O Canada". She has worked in a veritable United Nations of top musical talent: Isaac Stern, Artur Rubinstein, Rudolf Serkin, Mstislav Rostropovich, Pablo Casals, Sir Thomas Beecham, Seiji Ozawa, Pierre Monteux, Leopold Stokowski, Leonard Bernstein, Bruno Walter, Eugene Ormandy, are just a few.

Wherever she goes, she makes friends for Canada—our ambassador of song! Critics praise and musicologists marvel that she was among the first to popularize German lieder in this country. Many of us here have had the pleasure of the laughter at Stratford Festival when she played the Queen of the Fairies in Gilbert and Sullivan's "Iolanthe"—that was great comedy, Madam!

Her thirty-year career did not begin at the top. The youngest of four children, she knew poverty in a family that found refuge in music. She sang in church choirs and quit high school to support her lessons. She understands the struggling artist and now plays a role as the artistic arbiter—Chairman of the Canada Council, which she calls "an insurance policy" for the future artists of this domain.

Miss Forrester has recorded not only her voice on disc and tape but also her memoirs in print. A new book, co-authored by Marci McDonald and published by McClelland & Stewart is titled *Out of Character*. How does a mother of five children manage an all-involving career that demands constant travel and total physical and spiritual dedication?

With humour is one answer, but let's hear from the gifted grandmother herself—Maureen Forrester—the singer will now give us the word.

Maureen Forrester

How do I do it? Sometimes badly, but I make the attempt. I thought I would like to talk to you about my book. It was a lot of soul-searching for me to put down 56 years of a life.

Avie Bennett knows I can't write; I hate writing. I can talk—I have verbal diarrhoea most of the time—but to write is really painful for me. I tried with one young man and he said 'No, I just can't get it out of her.' Years ago when the children were young, Marci McDonald came to interview me. She arrived (and you will know when it was, because she had on a miniskirt); a very cute girl who sat crossed-legged, and took down notes while my children kept running in.

"Mummy, Daniel is shooting bubble gum at me, and it's just terrible. What am I going to do?" I said: "Well, you just shoot back at him."

Then back to Marci, "Yes, you were saying?" She wrote the most phenomenal article about my life, with all those things going on in the background. So I thought she has the real beam on me, and let's see if we can't encourage her to take down all my stories.

We spent most of last August in Muskoka doing this, and she got more out of me than I knew was there, but it was really fun.

I was born in Montreal and came from a lower-middle-class family. I lived in a coldwater flat, with an incinerator at the top of the street, and a French bakery down the street. A few blocks away were rubber and paint plants: everything was delivered by horse and buggy. Needless to say, I grew up with a real sense of smell.

I had a wonderful childhood, but I was a wanderer from year one. By the time I was four, I would walk around the corner and wait at a local streetcar stop, get on the streetcar with somebody who looked like they could be my mother and go to the end of the line. I remember one streetcar used to go up through Outremont. I would look at all these wonderful big houses and imagine that I was going to live there. I had delusions of grandeur as a very young child, and one of the houses which I found interesting was Pierre Trudeau's.

I would get off at the end of the line, cross over and take the streetcar going the other say. Very often it went to the west-end of the city, nowhere near where I lived in the east-end. My mother was always being called, because I knew my telephone number, Amherst 1373, and my parents would have to travel an hour-and-a-half across the city to pick up this child, sitting on a policeman's knee, eating ice-cream cones. I wasn't disturbed, because it was all great fun.

My mother was a wonderful, wonderful woman with a lovely voice who hated housework, hated cooking even more and loved her children. She was always arranging church activities such as a bazaar. So I was brought up more or less as a loner, since my two sisters and brother didn't want to babysit me—so I babysat myself! I really had a fascinating life as a young girl.

When I started to sing, my mother would have me engaged to perform at the Women's Christian Temperance Union national or annual meetings. I would hate doing this because I wanted to play baseball or go off skiing.

She certainly guided me into my career. I was a soloist, and she had levels for me to achieve: if only I could be soloist of a downtown church—which I did; if only I could sing the Messiah at Christmas-time in Toronto with Sir Ernest MacMillan—and I did that; and if only I could do this and if only I could do that. It was all fun and I did them all.

However, when I started to sing seriously and be paid for it, I realized it was all very nice to sing on a good day when I felt like it, but what to do when there was little catch in the throat? How to get by then when people are paying money? I found a teacher—Sally Martin—she was a little, plump Scottish woman with wonderful sparkling blue eyes and white hair. She used half the lesson to cook for me and the other half to teach me. She eventually retired and went back to live in England.

Then I had another teacher—Frank Rowe—who was an oratorio singer and very proper. He was an interesting man who taught in a tiny studio. Among his first pupils were Louis Quilico, Joseph Rouleau, Andre Turp and myself. We all learned something from him, but realized that he was getting on—he was 80 years old—and we all had to find another teacher. I thought I should go to New York because it was *the* place to go to study. I went and tried to get an application from the Juilliard School but they wouldn't even give me one because I didn't have my high school graduation. (I had only six months of high school in Montreal.) I went back to Montreal very disappointed, and continued singing. Then I heard from a friend of mine that she had started to study with a wonderful teacher—Bernard Diamant—someone quite new to Canada who had come from Holland. I thought I should hear him sing, and how beautifully he sang music unknown to me—wonderful German lieder, Schubert and French songs.

Afterwards I went to see him, and, being the confident type, told him I could sing and I liked singing. He listened to me with his wonderful charm and then he said:

"Well, you have quite a nice voice, you know that's God's gift—but you don't know how to sing."

I just about kissed him, but as you can imagine, he is a rather shy man, so I held back.

Diamant taught me in a very short time something that has seen me through this long career, and that is technique. One of the sad things in this country is that we don't have enough teachers who teach technique. How do you sing on a day when you don't feel like it? And Diamant is the master. He is also a great teacher of interpretation. He taught me to interpret how I felt and not just be a carbon copy of somebody else and to always try, even if it is wrong, to sing, to interpret and lift the notes and words off the page, and be most precise about the text. Singing beautiful melodies is one thing, but to deliver the text so that the people understand it, even in a foreign language, has to be worked at very hard. That's what I thank him for and that is why I asked him here today to give a public thank-you for the wonderful gift he gave to me, one I would like to pass on to young performers.

I studied and studied. I did the Ladies Morning Musical Club on Thursday afternoons, picking up fifty dollars here and twenty-five there. I was singing a lot of CBC recitals on Tuesday nights or Sunday mornings. The CBC used to do a great deal of this—and I would be heard from Newfoundland to Victoria. All the ladies' clubs, and there were many of them in those days, would get together and offer me a tour at $200 a concert from Winnipeg to the west coast. I hired John Newmark who was by then a very, very well-known accompanist in Canada, and a wonderful man, but really beyond my financial means. However, I knew how important it was to have a good accompanist; that was 60 per cent of my battle on stage.

John and I would go out on tour, but, of course, to get $200 a concert and then have to pay for an accompanist, his travel, my travel, the hotel bills, taxis, a new dress and have my hair done was an enormous amount of money.

I was always overdrawn at the bank. I think I will always be overdrawn at the bank—I always seem to spend more than I make. My banker used to come to recitals and say: "You have to do something about this; I know you have good reviews and you have got a future, but how do I explain that to my auditor?"

One day Eric McLean, unbeknownst to me, wrote an article in the paper stating it was sad that young people with talent have to take every little job that comes along just to make ends meet.

It wasn't as though I only sang. I got up at 5 a.m. and worked at a quarry—not *in* the quarry, I opened the office. I was a telephone operator and I used to connect the scale house with the stone-crushing plant. It was an enormous place in Montreal and I did all my scales at 6 and 7 in the morning when the office was empty, and got them out of the way. I came home in the afternoon, took lessons, studied my music and sang in the chorus of operettas at night.

J.W. McConnell read in his newspaper, *The Montreal Star*, that this is a girl who might be worth watching and isn't it a pity that this situation is the way it is? So, he called me in.

He had me investigated and told me that I could have as much money as I needed. I told him I needed someone to pick up my overdraft, that I had enough money to live on and pay my way, but I couldn't cope with the overdraft. So for two years he did just that, and it was absolutely astounding, because in those days, 1953/54, it came to about $20,000.

Can you imagine what that would be today for a young person travelling, with the price of airline tickets, hotels, the cost of clothing? It is an enormous difficulty for young people before the Canada Council stage. (The Canada Council only funds people when they are kicking off their "professional" life.)

That is what I always tell service clubs: If you hear of somebody who is very young and talented, pick them up and give them that little assistance to make sure that they get to the professional stage. It is terribly important and very necessary. Very few performers' relatives or parents can afford to see them through that stage of their lives.

I was then engaged by Jeunesses Musicales to tour Europe—eight countries, mostly very small towns, but occasionally I would sing in Bordeaux or Cologne, and a local society would re-engage me for the next year. That was an important audition platform for the future of the singer. Back in Canada after that tour, I was re-engaged to go to Morocco. At the same time, a young lady in Montreal, Monni Adams, wrote to every conductor in the United States on my behalf, and said:

"Listen, we have this young girl who has gotten wonderful reviews from Europe and Canada and she has never sung in the United States. Would you care to audition her?"

They all wrote the same back: "We are very interested, we are booked up for three years, don't write us, we'll write you."

But she also got a small handwritten letter from Bruno Walter, the great Bruno Walter, who stated he was always interested in young people, and that, if Miss Forrester could come to New York on such-and-such a day, he would be happy to hear her. I phoned Mr. Walter to say I was scheduled to sing in Oshawa that day and after that, somewhere else. He said:

"My dear, you are obviously much busier than I. When you can come, I will make time."

I thought that was very sweet. He told me not to bring an accompanist and to bring Bach and Brahms.

He played for me and it was very interesting. There was something very special about this man; he didn't have to tell me anything; I knew exactly what he was going to say. When you are on the same wavelength with someone, it is very important.

Bruno Walter was a wonderful, fatherly man. He asked what I was doing in February. I said I was going to Morocco.

"*Das tut mir leid,*" he said (that makes me sad), "because I wanted you to come and do my last concert with the New York Philharmonic next year, and make a recording of Mahler's Second Symphony."

I didn't even know who Mahler was! I said:

"Isn't that wonderful? Oh, Dr. Walter, I'll not only cancel Morocco, I will even drop dead!"

I went home and everybody was all excited; Mr. D. (Diamant) and John (Newmark) thought it was fantastic. I looked at the music and thought:

"What is this? A four-minute piece of music! I thought it was a big solo part."

I had such chutzpah as a kid—that is, nerve, gall. I memorized the music on the way to New York. I had Mr. D. teach me how it went; learned it; and since I have a good memory, thought:

"This is nothing, I will do it on the plane."

But when I look back now to February 1957, it was this that launched me into my solo career and Mahler has been the biggest part of my repertoire ever since. Perhaps, once I am gone, the one thing I might be remembered for is having sung a great deal of Mahler with a great many phenomenal conductors. It is wonderful music, very spiritual.

When I heard the orchestra at that first rehearsal, I realized why everyone was excited. I never cease to be turned on by the music. When I sing with an orchestra and we are doing a Mahler work, I look up into the balcony, and if the performance is going well, I see Bruno Walter in the dark silk jacket he wore with a little white, almost clerical collar.

He auditioned me, and the next day he announced to the New York Philharmonic that he had hired an absolutely unknown Canadian girl. The offers then came from every manager in New York to manage me—unheard. If Bruno Walter put his stamp of approval, that meant that I was good enough for them.

I believe it is absolutely essential that the older generation of performers endorse younger performers whom they think worthwhile. If somebody asks me to recommend a young, good singer, I always do. After Bruno Walter, my career went in leaps and bounds. I have had 35 years of a career that is just incredible, and a wonderful time all over the world.

I know that Avie wants me particularly to tell you my China story, which I have told to many people. I went to China just before I was made Chairman of the Canada Council. External Affairs just love it if you will sing an encore in the language of the country. The Chinese have very high-pitched voices and I have a low voice, and they equate a low voice with evil. However, I told External Affairs if they could find a one-verse, slow lullaby, and bring me somebody to speak the sounds into my tape-recorder, I would see how I fared. They sent me this darling man who had lived in China for six years, but China has a thousand dialects, so it almost doesn't matter how you pronounce because you will never please two people at the same time. They have a different pronunciation for every word.

I arrived in China with the Toronto Symphony and conductor Andrew Davis and at the first rehearsal there were 5,000 people in the audience. They always have a little lady who announces the next program item off in the winds. When she announced my song, the whole place went berserk. I thought:

"Oh, my God, it is a popular song."

I took a deep breath and started the first verse. Everybody goes "terrific"; second verse (it had three verses) they were going "not bad for a foreigner," I got to the third verse, and you know how it is when people get embarrassed, they start pulling their hair, and I thought that I had better check with the interpreter when I get back stage. There was great applause anyway. Afterwards, I went back stage and the interpreter, who was a darling man, said:

"Oh, that was very good you know. Do you know what you are saying?" I said "Not really." "NaniWan," he said, "is a song about a beautiful place. It is very green. There are flower baskets everywhere, and the workers have planted the field and there are sheep grazing. Your first verse was perfect; your second verse more than perfect."

I asked what the second verse was all about.

"Before the workers came to NaniWan, all was empty and barren and unpopulated—nothing."

"Tell me about the third verse."

"Beautiful," he said, "but you made a little mistake, you switch word a little bit, but it was very cute. The story is that the revolution came; Regiment 395 arrived bringing workers, so now NaniWan is green with flower baskets and sheep. You said, then came revolution and the Regiment 395 came and brought in the workers, learn from NaniWan because now it is empty, barren and there are no people at all."

What a way to make friends!

The Chinese love to laugh. If I went to the zoo, or any city, to a factory, they would suddenly produce a little Chinese instrument band and insist that I sing NaniWan. They were determined that I know it properly before I left China. People would stroke me and call me "NaniWan." It was very funny. A few years ago when the Chinese Premier visited Ottawa there was a reception. I was invited to a private cocktail party before a gala and was standing on one side of the room. Across the room I saw Prime Minister Pierre Trudeau talking with the Premier. The Premier took a look at me and then made a beeline across the room towards me. I thought: "Oh my God." He said:

"Haaaaaaa! You are very famous in China," and I turned to Pierre and said:

"Yes, by your mistakes shall you be known!"

"I have been back to China since and have learned another song, a slow one-verse lullaby. China is a great country, I just adore going there. It is a privilege to be chosen by your Department of External Affairs to go to other countries and blow the horn of your own country—especially in a country like China.

It was a wonderful, exhilarating experience and I have been asked to go back for six months. Maybe I will go back and do a little teaching. The Chinese want to catch up so badly—they have so much talent and learn so fast, that we are all going to have to watch out. I tell you, they are fantastic!

I have been all over the world. I have met some wonderful people, lots of them very simple, whom nobody will ever hear about, but who have been fabulous to me. I have had five phenomenal children, a great husband and, even though we are separated, we are good friends. My next book is *How to Separate from a Husband and Be Great Friends.* I have three grandchildren and am hoping for 20.

Another turn in my life happened when I took on the Canada Council. Now what did I know about running boards? Nothing. I have sat on a few boards, but not on the scale of the Canada Council. I would like to tell you about the Council, because I think very few people realize how the board of the Canada Council works. There is a 21-member board, headed by the chairman. Meetings take place in an enormous board-room where all the heads of every department, plus their associates, and maybe their first secretary or more if need be, sit in on every meeting with the board of the Council.

Meetings are very open—if someone makes a complaint regarding Canada Council decisions, it is brought up at a board meeting and the department in question has to defend what it thought was the right grant, or why it did not give the grant, or whatever. It is quite a different type of board from what people imagine—there are no secrets in the Canada Council. If anyone wants to find out something, they go to the department and are given the dossier to peruse.

Very often, if there is a complaint because somebody feels he or she has been improperly evaluated, I go through the whole dossier to decide whether it was right or not. And it is usually right, because we cannot fund everybody, and that is the saddest thing.

For instance, modern dance is so underfunded, because we just don't have the money. We have ten million dollars added to our base now, and private donations pledged. All our clients have spent the money, literally and mentally, which we haven't as yet got in our hot little hands. So how can we give it out before we get it in? It is a very difficult job because not all deserving artists get what they need. We can't do it. It is a sheer problem of dollars and cents.

It is very hard to say to the government that we really believe artists should have more, because the average person thinks that people involved in the arts are playing at their hobby, that they are dabbling at a hobby instead of making a living.

Making a living in the arts, though, creates so many jobs for other people. Think about the Canadian Opera Company and how many people it puts to work—not only singers, but ticket sellers, programme designers, artists, painters, set builders, carpenters, plumbers, the people who show you to your seat. The arts is the third-largest industry in Ontario.

It is terribly important that they get funded, and, when they don't, they complain a lot—and they are good at it. The person who complains the loudest usually gets the most.

Across the country, the symphonies are all suffering from lack of funds. Vancouver had a tremendous problem last year, and almost went under. That would have been disastrous.

One of the big problems is ticket prices. They are too expensive for the average person. It is fine for people who have money, but I find it very difficult to go to the theatre and pay $50 a ticket and take my family with me. I don't know what the overall solution is in that department, and I will leave that with you to think about.

My personal solution is to have a credit line for my family. I have five children who are all interested in the arts. If you really want them to be turned on by opera, ballet or theatre, offer them a line of credit. I offered my second daughter and her husband a subscription to the opera, and they loved it. Now they are paying their own way. Instead of saying, Here is $1,500 for whatever, you should say to them that for everything they attend that is cultural, when they bring you the ticket stubs, you will reimburse them.

It is a good idea because it gives them the opportunity as a young couple to go out for dinner and then see something wonderful; be turned on and maybe end up as board members in the theatre, ballet or opera company, or to do something in the community for the arts, even though they have other professions themselves.

I spoke of this recently and a woman came up to me and said:

"Oh, Miss Forrester, I think that is just wonderful. I just gave my 10 year-old a credit card."

"Whatever for?" I said.

"For the best book store. I said I don't care what you read, but read."

And I thought that was a fabulous idea. Of course, there has to be a limit. I am sure the publishers of Canada think it is a good idea too.

My book has a lot of parts of my life that people don't know about. I had a baby before I was married; I had an abortion. It was a very difficult time during my career but I managed. I told the truth in my book regarding the hardships I have had in my life.

Young people can get very discouraged and get hooked on drugs or on alcohol because of problems they perceive as insurmountable. It is important that they realize a mistake need not ruin their future, but they must also know that not everything in life is a bed of roses.

It makes one a better person to have had hardships and to have overcome hardships and not to blame anybody else for your mistakes. I have made lots of mistakes and have tried to overcome them. I have had a great life, wonderful family, marvellous friends and I live in a great country that appreciates the arts, and does things for its young artists.

I have nothing to complain about. I am looking forward to my old age.

Somebody said, what are you going to do next? I replied that I was going to be the queen of the geriatrics ward. We are going to sing a lot because singing is good for the soul and keeps you alive and healthy and well.

I hope you read my book, or borrow it, and I hope it will give you the incentive perhaps to help someone young who doesn't have money, or who needs that extra push and encouragement to make it possible to have a great life. You see standing before you a happy woman who enjoys life to the fullest and is looking forward to the next 30, 40 years, hopefully, and thank you for letting me talk to you today.

The appreciation of the meeting was expressed by Montague Larkin, stockbroker and a Director of The Empire Club of Canada.

November 6, 1986

Claudette Mackay-Lassonde

President, Association of Professional Engineers of Ontario

"ENGINEERING CHANGE: TRANSITION TO TOMORROW"

Chairman: **Nona Macdonald**
President

Introduction:

Claudette Mackay-Lassonde has stormed the bastions of the traditionally male-dominated fraternity of engineers. Elected the first woman president of the Association of Professional Engineers of Ontario, she now presides over its 50,000 members—98 per cent are men. Supposedly the "unsung" profession (unless of course, the University of Toronto's Lady Godiva Band and its boisterous students are nearby, singing "We are the Engineers"), Dr. Mackay-Lassonde plans to sing the praises of a profession that impacts on every one of us every day of our lives.

Her timing is as accurate as any precision-keen engineer could wish. Just as the 100th anniversary of the profession is about to be celebrated, she will be celebrating also the 10th anniversary of "Women in Science and Engineering," a group she founded in 1977, to further those women like herself who were interested in a profession that is still a man's world.

Claudette Mackay-Lassonde, the oldest of six children, grew up in Montreal and obtained her Chemical Engineering degree from the University of Montreal's L'École Polytechnique in 1971. She and her husband Pierre went on to the University of Utah, where she received her master's degree in Nuclear Engineering and he, his master's degree in Business Administration. Ten years later, she won her own MBA from the University of Toronto in 1983. Prior to that time she had worked in San Francisco for Bechtel Power Corporation, then joined Atomic Energy of

Canada before moving to Ontario Hydro where she rose from being a nuclear engineer to Manager of its Load Forecast Department. She was busy also raising a daughter and a son, and managing the family home in Mississauga, and now in Etobicoke. In 1981, she organized the first Canadian Convention of Women Engineers; she is a member of the National Science and Research Council; and, in 1986 received an honorary doctorate from the University of Windsor.

Her speech today, titled "Engineering Change: Transition to Tomorrow" sets the right futuristic note for a young woman of vision.

Claudette Mackay-Lassonde

Canada's technology is a vital part of our history. It was the railways, the seaways and the highways, all built by engineers, that connected our coasts and opened up our country.

Today, Canadian engineering excels in transportation, energy development—particularly nuclear and hydroelectric power—resource development, and cold-climate and tunnel technology. We lead the world in telecommunications.

In short, engineering ingenuity is very much responsible for the way we live today. I don't believe any other profession has had such a direct impact on Canadian life. To a great extent, engineering inventions determine the Canadian standard of living. And that's why the role of our profession is so important to Canada's future.

Engineers transform scientific discoveries, or ideas and make them work. And we make them work to make life better for people. Since we invented the first wheel, the application of technology has done just that.

As Canadian society progressed, the profession itself matured in response to society's changing needs. We have moved from taming the rugged outdoors, to developing the industrial arteries, to where we are *today*—creating electronic means to help formulate, stimulate and communicate ideas. Like society as a whole, the engineering profession has evolved from the muscular to the intellectual. And though some may disagree, I believe each step in this technological evolution has improved all aspects of living and working.

I am not alone in this belief. According to last month's

Fortune magazine, leaders from as politically diverse countries as the Soviet Union to Japan agree that accelerated scientific and technical progress is *the key* to social and economic well-being.

But it is more than that. As we move into the Information Age, our technological well-being determines Canada's position in the global marketplace. Recently, *The Financial Post* suggested that Canadians are slow to realize that the way we do business is changing. We have to keep up with the change if we are to establish new forms of competitive advantage. And in today's knowledge-based business that means more reliance on entrepreneurship and technological change. In other words, technological strength and progress have become every nation's passport to the world market. Much like the American Express card that American Express says we shouldn't leave home without, technological expertise is something no nation can leave behind.

According to the European Management Forum (EMF), Canada's overall international competitiveness ranks sixth among 22 Organization for Economic Cooperation and Development (OECD) countries. That's not bad. But, if we want to stay in sixth place, or move up, we should improve our technological ranking. Canada sits, technologically, in ninth place, between the Netherlands (eighth) and Belgium (tenth). Not surprisingly, we are behind the "Big Three": Japan (first), West Germany (third), and the U.S. (sixth). Perhaps more surprisingly, we are also behind Switzerland (second), Sweden (fourth), Denmark (sixth), and Finland (seventh).

Canada's population (25,142,000) ranges from three times that of Sweden (8,335,000); to six times that of Finland. I say we have a lot of work to do. Canada cannot afford to forget that those who adapt to technological change readily will benefit the most—socially and economically.

So, how does our nation improve our technological ranking to prepare for the future? I have several suggestions.

One, as Canadians we overcome our technological intimidation.

Two, we build Canada's R&D commitment.

And three, we turn our antiquated assembly-parts manufacturing processes into industries of the 21st century. As I said, this country's social and economic well-being depends on technology. The state of technology depends, in large part, on engineers.

So Canada, in preparing for the future, will be relying more on engineering expertise. Engineers, in turn, then have to prepare themselves to be ready to help Canada even more than we have in the past—and in different ways.

Traditionally, we have provided only technical expertise. But as our world becomes increasingly technological, our role needs to become more humanist, our profession needs to accept more social responsibility.

One of our primary responsibilities is to help Canadians *understand* technology rather than fear it. Some society members are concerned that people no longer control technology, that it controls us. Like money, it is cursed as the root of all evil.

I think we forget that human need caused the development of technology. Technology was not developed to replace humans, but to help humans. It was created by people for people. As theoretical physicist, the late Albert Einstein told a group of students at the California Institute of Technology "concern for man himself and his fate must always form the chief interest of your professional endeavours . . . in order that the creations of your minds shall be a blessing and not a curse to mankind."

How we use technology is one of the most important decisions we all face. Those decisions can be only as good as the people making them. In the past, the people who have decided how we use technology usually have not been the same people who created it. It is time the technological community, of which engineers are a large part, demystified technology. Our society will be ready to accept technology's economic importance only if they understand it.

The engineering profession is committed to bringing about this understanding by taking every opportunity to talk technology in everyday language. And by communicating from a leadership position. After all, as our product, technology, becomes more dominant, it makes sense that more of our leaders should be people who understand engineering. I am sure part of Japan's economic success is due to that country's engineering leadership.

For instance, half of the Japanese civil service, and half of Japan's industrial directors are engineers. More than 65 per cent of all board members in Japanese companies are engineers or scientists. Less than 20 per cent of our civil service, and industrial directors are engineers. I don't know the exact percentage of engineers and scientists who make up Canadian board members, but I am sure it is nowhere near 65 per cent.

The point is, as Robert Reich, author of *The New American Frontier,* stated: in Japan, business problems are viewed as engineering or science problems. In North America, they are viewed as legal or financial problems.

Like the U.S., Canada is run by lawyers and businessmen. Among our 282 federal Members of Parliament, 74 are businessmen, 51 are lawyers, and nine are engineers. Among our 125 provincial members of the Legislature, 32 are businessmen, 19 are lawyers and three are engineers. *I am not* saying there is anything wrong with the large number of lawyers and businessmen. *I am* saying there is something wrong with the meagre number of engineers in government. It is sad also that the few engineers practicing politics are not the most prominent members of either the federal or provincial cabinet. It is even more sad that our federal Minister of Science and Technology is a Minister of State—not exactly one of Cabinet's strongest positions.

So engineers lack political clout. We have very little direct say in public policy-making. Despite our strong economic and life-changing contributions, past and present, we are virtually invisible. This could be due, in part, to the fact that, over the years, engineers have allowed engineering to change from an independent profession to a corporate service.

Today, Canada has more than 124,000 registered engineers. Ninety per cent work as corporate employees—myself included. Fifty per cent work in industry, 20 per cent in consulting and 20 per cent in government. And, within the corporate structure, engineers have kept a low profile—well, with at least one exception!

I don't know why engineers are so shy about their profession. But, I do know that engineers must start to display some pride in what they do. Otherwise how can we expect society to have the same admiration for our profession as they do for our accomplishments?

A few weeks ago, *The Toronto Star* published a letter to the editor which stated:

"Many technically trained bureaucrats (engineers) do not have a proper regard and consideration for their fellow humans." This remark is simply not true.

However, maybe because we *do* keep such a low corporate profile, and maybe because we have not sought leadership positions, and maybe because we have let our technology speak for us, rather than speaking for our technology, we have allowed the public to stereotype engineers in such an unflattering light. I hope by speaking up and speaking out engineers can dispel this notion.

Engineers have always been concerned with making life better for people. Our products have consistently ensured comfort and safety at work *and at play*. They have contributed enormously to the well-being of society. However, the designers of these products, and the products themselves, are taken for granted and often go unnoticed.

For example. The medical profession gets all the credit for curing a number of illnesses—and it deserves a lot of credit. But engineers also deserve credit. The sewage systems and water-treatment processes we developed and installed have a *great deal* to do with the disappearance of many illnesses. However, unless you lived in rain-drenched Toronto during August, September, and some of October, nobody ever thinks about sewage—until it is a major problem.

Well, I hope the Canadian community does not take our national technology for granted until is a major problem. And that leads me to my second suggestion for improving Canada's technology—increasing the R&D commitment. That means more people and more incentives.

If we are to become technological peers with countries such as Japan, we need to attract more engineers to research and teaching. Canada now has about 26 research engineers and scientists for every 10,000 people in our workforce. Japan has three times as many.

Canada needs to create incentives for science and engineering researchers. Already many of our best and brightest go south. Our newest Nobel Prize laureate, John Polanyi, has told foreign scientists interested in coming here to stay away. He thinks they'll find it difficult to find facilities that warrant their talents.

Gordon MacNabb, the former president of the Natural Sciences and Engineering Research Council, has said that, if Canada increases its current annual R&D expenditure from 1.3 per cent of our GNP to the 2.5 per cent our competitors spend, we will need more than 850 new PhDs per year in applied sciences. That is almost four times as many as we have now. If R&D programs proceed as politically promised, attracting and keeping more researchers is a problem we shall face presently.

Building our R&D commitment also means building a better understanding between industry and academia. Recently a panel of academics together with the federal government suggested adding a clause to R&D credits that would have disqualified almost every R&D project in this country. Essentially the clause said that, if a new product or process was developed using proven techniques, it could not be classified as an eligible R&D activity.

Fortunately, a group of associations representing high-tech firms lobbied against the new research regulations. I'm happy to say that engineers made up a large segment of the group.

Taking on a lobbyist's role to make sure government, and the public, realize how important R&D is to Canada is part of the engineers' growing social responsibility. I am also happy the group was successful. Otherwise, as *The Financial Post* noted, had the lobbyists been unsuccessful, "the proposed rules would have been political suicide in terms of the negative impact on economic development."

Let me recap what I have said so far. Canada needs to improve her technological ranking to remain competitive in today's market. To help our country do this, engineers need to take on more social responsibility. We need to demystify and humanize technology from a leadership position. We must also support and promote engineering R&D initiatives.

I don't think engineers can do all this as well as possible without first broadening their own skills. The best and most logical place to start training engineers for their changing social role is in school.

In 1985, a paper prepared for the Social Council of Canada recommended that engineers need "an increased emphasis on economics, communication skills, and a general background in humanities and social sciences." I agree totally. Because, from now on, engineers need to know how to manage technology, as well as create it. As technology becomes a bigger part of Canadian business, there will be a growing need for engineers who understand and appreciate marketing, sales, operations and finance.

Already corporate engineers are moving from the strictly technical side of businesses into supervisory, management or executive positions. And, if our economy becomes more technologically dependent, I fully expect more engineers to shift. In fact, two thirds of those graduating from engineering today are expected to occupy such positions. From these "high places" engineers will be called upon to talk technology in layman's terms, to lead and motivate their staff, and explain where and how technology fits into the bigger business picture.

I hope a significant number of those engineering leaders will be female. To ensure that they are, I firmly believe the profession must attract more women now. Although we are busy promoting engineering to female elementary and university students alike, engineering still is largely devoid of female talent. Of the country's 124,000 registered engineers only two per cent are female—a very small percentage indeed.

Although things are improving, they are improving slowly. Our female undergraduate enrollment now is about 13 per cent. And fewer than nine per cent of master's degrees, and five per cent of doctorates are earned by females. In effect, almost half of Canada's potential engineering and research talent is going untapped.

Perhaps a better public image of engineering will attract more women. Or perhaps, more women, together with a more liberal engineering content, will create a better public image.

Finally, the last point I'd like to discuss today is the need to update our antiquated assembly-parts manufacturing processes. For some reason, Canadians are failing to apply new technologies to the processes used and products produced by our industries.

To date, our nation's industrial base has consisted mostly of resource industries such as agriculture, fishing, mining, and forestry. Our present state of economic health is due, in large part, to our past resource export market. But this is changing. World-wide, engineers are creating new man-made materials that are replacing our natural resources, and thus diminishing our resource-based advantage. The falling prices of our resource commodities alone illustrate this takeover.

Our manufacturing sector is also facing severe competition. Countries such as Japan, Brazil, Korea and Taiwan, that once imported our engineering expertise, are now so advanced that we are competing against them—domestically and abroad. I remember when I was younger, a Made-in-Japan tag meant an inferior product. Today, that Made-in-Japan tag assures me of quality.

Rather than competing with top-quality products from countries that can produce it at less cost, Canadian industry has to focus on products generated through the use of advanced technology. We need to create more "value-added" finished products and services in growing areas such as new materials, biotechnology and optics.

The industries creating these products will depend on engineering knowledge, advanced engineering research and engineering innovation. If we don't catch up with the new technology making our old processes obsolete, our manufacturing strength will continue to falter. Already our high-tech trade deficit is close to $14 billion. That is almost three times the deficit we bore in high-tech goods only 10 years ago. What is most frightening is, as Dr. Stuart Smith, chairman of the Science Council of Canada, has pointed out, "The higher the technology, the higher the trade deficit."

I believe our answer lies in making structural adjustments to our manufacturing sector. For example, increasing our use of robotics and computer-assisted design will update our industrial technology and make it more efficient.

Northern Telecom is an ideal example of a world-renowned, high-tech company that knows it cannot rest on its current technology—although it is excellent. So, it is pouring money and skills into transforming itself into an engineering company of the future.

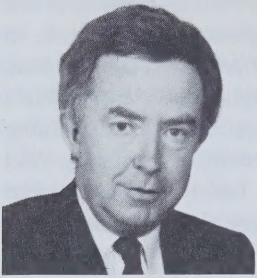
Throughout my speech I have repeated the words "need" and "change" many times. I kept saying, Canada needs to do this, engineers need to do that. Things must change.

Although I believe the engineering profession should raise its profile and expand its responsibilities to help our country secure an independent economic future, I don't mean to imply that we haven't done a great deal already. Nor do I mean to imply that our contributions have not been acknowledged by society.

Canadian engineering achievements of the past 100 years will be celebrated next May during the Canadian Engineering Centennial. I believe this upcoming celebration alone has prompted more Canadian attention. Last month, the Royal

Bank's newsletter was written in praise of engineering. It is a wonderful letter highlighting the engineers' central role in developing our country. It says, and I believe it is true, that, from the beginning, Canada was an engineer's country. That's the one thing I see no reason to change. After all, our guiding commitment continues to be the benefit of humanity. And that very same commitment, mind, heart and vision that helped make the Canada we are today, will help make the Canada we will be tomorrow.

The appreciation of the meeting was expressed by Harry T. Seymour, President, Dominion Securities Investment Management Ltd., and immediate Past President of The Empire Club of Canada.



November 12, 1986

The Rt. Hon. Joe Clark, P.C., M.P., M.A.

Secretary of State for External Affairs

"FOREIGN POLICY IN ACTION"

Chairman: **Nona Macdonald**
President

Introduction:

The Rt. Hon. Joe Clark comes to this platform fresh from the negotiating table in Vienna. His current portfolio as Secretary of State for External Affairs includes the most vital international issues facing Canada today, among them, South African sanctions, arms control, United Nations affiliations, and trade policies beyond our borders.

His political career serves Canada well. From his student days as national president of the Progressive Conservative Student Federation to his time as Canada's youngest elected Prime Minister, he has been involved in his party's shape and direction. He is an Albertan, born in High River in 1939, and educated at the University of Alberta in Edmonton where he received both his B.A. and M.A. degrees and taught political science. He was elected to the House of Commons four times between 1974 and 1984, and now represents the riding of Yellowhead.

During his tenure as Prime Minister and as Leader of the Opposition, he and his colleagues introduced a variety of reforms. One journalist credited him with the "most effective parliamentary opposition in Canadian history." Following the leadership change and the 1984 election, Mr. Clark was appointed Secretary of State for External Affairs and a member of Prime Minister Mulroney's influential Priorities and Planning Committee. With us today is his talented wife, Maureen McTeer, lawyer and writer, who was named by *Chatelaine* magazine as the 1984 Woman of the Year. Incidentally, their daughter Catherine celebrated her 10th birthday last week. Here, as we remember those who have fought for the Empire, the Commonwealth and our own incomparable country, the stage is set for a first-hand report from the international front.

Ladies and gentlemen, Canada's Secretary of State for External Affairs, The Rt. Hon. Joe Clark.

Joe Clark

When roughly one-third of your GNP depends on trade, you cannot pretend that you live alone. The Common Agricultural Program of the European Community will not dissolve simply because Canada disapproves of it. Protectionism in the United States will not succumb to the condemnation of *The Toronto Star.* Yet if the Common Agricultural Program remains unchanged, our farms, or our treasury, or both, go broke. And if there is no alternative to protectionism in the United States, more and more jobs will be lost in Canada, including in Ontario, particularly in Ontario. We face real challenges in Trade. We have faced them before, and we met them by broadening our trade arrangements.

Indeed, there is an interesting parallel in history. Fifty years ago, the United States was gripped by protectionism. Smoot-Hawley was passed, and insular U.S. policy dragged the world deeper into depression. That destructive pattern was broken by a bilateral agreement between Prime Minister Mackenzie King and President Roosevelt, in 1938, that was the beginning of liberalized trade between our two countries. That agreement became the basis of the GATT, just as an agreement now, between Canada and the United States, could break the new tide of American insularity, and thereby open new opportunities for a more liberal world trading system.

We must pursue our bilateral and multilateral trading interests together. The global trading system depends on a strong U.S. commitment to free and fair trade. Liberalization of the largest bilateral trading relationship in the world would also help to halt the drift of the global trading system toward protectionism.

Some critics argue that, in response to the latest burst of

U.S. protectionism, we should scrap the trade initiative. That would be exactly the wrong step. We are going to stay in the field, and try to beat the protectionists, because to quit the field is to surely lose. To back away from a negotiation would give an east victory to U.S. protectionists, and invite more of the measures that we are fighting now. To stay at the table gives us the chance to negotiate an alternative to protectionism, and at the same time, win our exporters access to the larger market we need.

The bilateral talks require political will on both sides if they are to succeed. The latest U.S. protectionist measures have raised doubts about the degree of U.S. commitment. But their elections are now behind them. The Administration has stated consistently its commitment to a freer trading system, between our two countries, and in the world. They have authority from their Congress to put any Canada-U.S. agreement on a "fast track," which means an agreement concluded before January 1, 1988, would not be subject to amendment by the Congress. We are looking for that leadership on the American side, and will be providing it here.

There is more to foreign policy than trade, and I want to talk to you today about some of the broader initiatives we are taking. In many cases, we are deliberately continuing policies that began under former governments. That is the case in our approach to Central America, the Middle East, and other questions.

However, we came to office believing that the former Government had nurtured too narrow a view of the country and, in External Affairs, as in our economic and energy and other policies, we are pursuing initiatives that had not been priorities before.

As a start, we have opened up the processes of foreign policy—to the people, to Parliament, to the provinces. A joint committee has just reported after the first full public enquiry about foreign policy in our history. We have reconstituted the Consultative Group on Arms Control, established a comprehensive system of advisory groups on trade and sought to involve private citizens and the private sector in the campaign against apartheid.

For the first time in history, there is full participation of the provinces in trade negotiations. Provincial ministers from every region were present, at my invitation, in the delegation to launch a new round of the GATT. Under David MacDonald, we helped the people of Canada contribute significantly to the relief of famine in Africa. The number of women serving as heads of mission overseas has increased. We are trying deliberately, to involve and reflect more of this diverse country in forming and carrying out our international policy.

Let me refer to two substantive questions where our emphasis has changed. One is the North.

Canada is an Arctic nation. Canada's Arctic lands are second in size only to those of the Soviet Union, and our Arctic coastline is the world's longest. Until recent decades, the North seemed to offer few implications for Canada's foreign policy. But the situation began to change as developments in military technology invested the Arctic with growing strategic significance for the superpowers, and later as prospects emerged for large-scale northern resource exploitation and as co-operation increased among residents of circumpolar nations.

The voyage of the *Polar Sea* (U.S. vessel that sailed through Canadian waters without permission) in the summer of 1985 dramatically underlined the deep concerns of Canadians for Arctic sovereignty. It also revealed how little we had done to prepare ourselves to exercise control of our North. A year ago, I deliberately affirmed that Canadian sovereignty extended to all the waters of the Arctic Archipelago and announced regulations establishing baselines around the perimeter of the archipelago. I declared our readiness to defend our jurisdiction before the International Court. We will construct a Polar Class 8 icebreaker and take other actions to substantially increase our capacity to exercise effective control over our northern waters.

These commitments by the government, and their implementation, will be set into a broad policy context. An *overall* northern foreign policy will have four dominant themes:

- Affirming Canadian sovereignty;
- Modernizing Canada's northern defences;
- Preparing for commercial use of the Northwest Passage; and
- Promoting co-operation with other northern nations.

The North has always been a powerful symbol of Canadian sovereignty. We have important domestic challenges to resolve in our North, particularly regarding the rights of our native people.

We have strategic objectives to secure, first through the construction of a modern North Warning System. We have the obligation to put substance into the symbol, because sovereignty must be exercised to be sustained. It is not a sufficient national policy to protest the actions of others. We must act ourselves to advance our interests and to express our nature, and it is time for Canada to do that in our North.

The other change in emphasis I want to discuss concerns the two international families to which Canada belongs—The Commonwealth and La Francophonie.

The Commonwealth had been sliding towards the margins of Canadian policy, despite our roots, despite its reach into every corner and colour of the world. We have made it a central instrument of Canadian policy again, and through the leadership of Ted Scott and other members of the Eminent Persons Group on South Africa, helped to renew its relevance in world affairs. The Prime Minister has secured the agreement that eluded former governments, and helped launch the summit of La Francophonie, which will again enlarge Canada's trade and political opportunities.

The heads of government of both organizations will meet in Canada next year—La Francophonie in Quebec City in September, the Commonwealth in Vancouver in October. These are more than alliances of language or tradition.

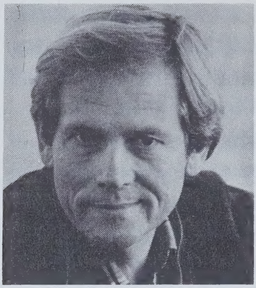
They cut across the categories of wealth or colour or region that can divide the world. They allow us to exercise a status that is virtually unique to Canada—as a developed country, without colonial antecedents or ambitions, trusted by the developing world.

That is important in diplomacy, as when we seek reform of agencies of the United Nations, or try to develop common policies to seek peaceful change in southern Africa. It is important in trade, as when we are able to get agreement on the inclusion of agriculture, or of services, in the GATT. It is significant in establishing joint ventures, or securing development projects, as Canadian entrepreneurs have discovered in Africa and the Caribbean.

We are accustomed to thinking of our French and English heritage in relation to the European cultures they reach back to. It is time for Canada to give more attention to the developing countries they reach out to. We are a unique country in the world, and ought to build on all our assets.

Allow me one concluding observation. This country is blessed not only by the resources we have here at home, but also by the reputation we have earned abroad. Canadians came from everywhere to settle this country. We reach out to everywhere, in our development activities, and our diplomacy, and our trade. We are welcome everywhere. In an age when no nation can stand alone, these are substantial assets.

The appreciation of the meeting was expressed by John A. MacNaughton, director, Burns Fry Ltd. and a Past President of The Empire Club of Canada.



November 13, 1986

Robert Bateman

Wildlife Artist

"MY ART AND MY LIFE"

Excerpts from an Audio Visual Presentation

Chairman: **Nona Macdonald**
President

Introduction:

A move from Milton, Ontario, with its red-and-gold autumns and winter whites, to the salt spray of the misty British Columbia coast hasn't changed Robert Bateman's lifestyle or routine. He lives every day doing just what he loves to do most—paint the natural habitats around him.

He chose Saltspring Island, off the shore of Victoria, because of the varied landscapes and wilderness. It is also away from the hurlyburly, which does not mean that he and his wife Birgit and their three sons are stay-at-homes. They are globetrotters too, but when they return, it is to the privacy of their waterfront home in the Strait of Juan de Fuca.

Fifty years ago, Robert McLellan Bateman was a child in Toronto, filling sketchbooks of urban wildlife and taking trips with the Royal Ontario Museum's Junior Field Naturalists Club. He attended Forest Hill Collegiate and graduated from the University of Toronto with honours in geography. He taught high school in Thornhill and Burlington, Ontario, and in Nigeria under a Canadian government plan.

When he wasn't teaching art or geography, he was painting. His works now hang in galleries and collections around the world, including the palace of the late Princess Grace of Monaco.

His awards from art associations comprise a long list. Five universities have conferred honorary doctorates on him. He is an Officer of the Order of Canada. He is a recipient of the Medal of Honour of the World Wildlife

Fund, presented by His Royal Highness Prince Philip.

He is generous with his gifts to wildlife associations and charities. He donated an original painting to the Hospital for Sick Children in Toronto. The painting was auctioned at the highest price of all donated works.

He is a past board member of the Art Gallery of Ontario and is on the board of the World Wildlife Fund of Canada.

His most recent books are *The Art of Robert Bateman* and *The World of Robert Bateman*, published by Penguin Books.

Although Canada remains his major marketplace, the demand for Bateman paintings and and prints is growing in the United States, where he will be saluted by Washington's prestigious Smithsonian Institution from mid-January to mid-May in 1987. One hundred of his originals will be shown—a unique undertaking by the Smithsonian for a living artist who isn't even an American!

Today we have the great and good fortune to have something of a preview. We have our own living gallery on slides and our guide is the artist himself: Robert Bateman.

Robert Bateman

I was born on the 24th of May and I guess you can get the significance of that. If you tell that to an American audience or even a British audience, they don't know what you are talking about, but the Canadian audience knows what the 24th of May is, and I've always been an avid fan of Empire ever since I was born and had the good fortune to travel to a lot of the former colonies—Uganda Protectorate, Kenya Colony and other parts, in the Fifties, kind of at the twilight of Empire.

So it is certainly a great honour to be in front of this illustrious audience.

What I'm going to do today is tell you a little about my artistic background—how I got the way I am—and then take you on a couple of adventures that I have had in a couple of parts of the world, and then wind up at our new home in British Columbia.

Incidentally, I was touched when the pianist played *Road to the Isles* when I walked in. I haven't heard it that often, but, since I live in the Gulf Islands, I thought you did it just for me.

(Slide presentation starts on screen)

I'm going to begin where I always begin, with a painting I did for my mother when I was twelve years old. I was in art education for twenty years and I've noticed that twelve years old is a turning point.

People often ask, "How long have you been interested in art and nature?" and my answer is: "I've always been interested in art and nature, ever since I was in kindergarten or earlier."

But there is nothing special about that, because I bet all of you, and everyone I have known as a little kid liked art and nature. Most human beings, by the time they reach the age of twelve, grow up and go on to more mature things, and I have just as yet to reach that stage. I stuck with this "kid stuff" and it was a tough job, because I was born in 1930 and that put me a teenager in the Forties. Try to be a boy birdwatcher in the 1940s—it's not easy. I was a "closet birdwatcher."

Back to the picture I was mentioning. This one says 1942 and that means I must have been twelve when I did it. What amazes me is how much it's like what I do now. I think I could take this same composition and continue working on it without any major changes and end up with one of my typical paintings of today.

In fact, I think of myself as a twelve or thirteen-year-old kid. I don't think I have changed any of my basic standards in life, or what I want out of life, which is to get out there and have adventures in nature and put it down in paint.

I was always totally driven to paint. I never thought I would support myself with my art. That never was a goal, and it is still not a goal, believe it or not. I just paint for myself and I'm totally amazed that people want to pay money for my paintings nowadays.

This is one I did when I was eighteen. It was the last picture I did of natural history art, or wildlife art, whatever you want to call it. I don't really like that title but I keep getting labelled that way. With this painting, I went into capital "A" Art, or real art, or whatever other people want to call it.

I became an Impressionist. Then I became a Group of Seven groupie. I moved through various phases of art in my twenties and thirties. I didn't come back to the kind of thing I'm doing now until I was thirty-five.

I went to the University of Toronto and I took geography, not art. I didn't think you had to "take" art. I thought you just "did" art. You didn't have to go around taking art.

I still feel that taking courses has nothing to do with whether you are going to be an artist. I say that, having taught art courses for twenty years. They have all kinds of values, social and recreational and you can get some tips from them, but all I'm saying is that it doesn't directly relate to whether you are going to be an artist.

Anyway, I took geography and geology so that I could paint. I had worked as "Joe boy" in Algonquin Park and at the Wildlife Research Camp for three years. and I turned onto the Group of Seven and Tom Thomson. I headed off in my canoe and finished those oil sketches just like Thomson did in earlier years. I was absolutely devoted to the "True North, strong and free" and the bold painting and all that kind of thing you are familiar with.

I wanted somebody to pay my way to go into the wilderness to paint. I knew if I took art nobody would pay my way to do that. So that is why I took geography and geology, and it worked. I got to the Arctic twice, Newfoundland once, and to Algonquin Park for another year. While I was at the university doing geography, I took art classes every Thursday night from Carl Schaeffer.

We did life drawing. I don't know why they call it life drawing; what they really mean is nudes. So I drew nudes every Thursday night for five years, which might partly explain why I didn't get a thing out of *Playboy* magazine and I hope I have a bit of a feeling for concave and convex!

But Schaeffer was a very strong influence on me and he had a lot of very strong opinions, as I do. One of the things he used to say was:

"If you can't paint it with the back end of a broom, it is not worth doing. Work from the shoulder, not the fingertips."

His worst insult was "precious."

I hear through the grapevine that Carl Schaeffer is still alive, that he has been following my career in recent years, and he thinks Bateman has gone all precious in recent years, which saddens me because I think I've got a lot of Schaeffer in my present work. He was a very important influence on me. What I'm after is not detail; I'm after form and rhythm and power—things I think Schaeffer had. I'm not saying I capture it, but that is my goal: a sense of form and rhythm and drama which is very evident in Schaeffer. I orchestrate all of my paints the way Schaeffer does: going from dark to light, light to dark, dark to light to dramatize and make the entire painting work.

I got more and more abstract as things went on. I became a Cubist. Picasso was one in his heyday. R. Yorke Wilson was becoming a prominent Canadian painter, and I always admired his work, so I moved into Cubism.

I got more and more abstract as the Abstract Expressionists came along.

I've a great liking for instability in composition. The most stable composition is like a pyramid or a triangle, like a Raphael *Mother and Child and Joseph* making a perfect triangle. *Mona Lisa* is a classic example, a boring composition to me because it looks alike a Chianti bottle. Da Vinci is great, but *Mona Lisa* is not one of my favourite compositions.

I like compositions that are a little bit tipped and unstable. It looks as is something is happening, and, of course, that is the way nature is, always in a state of transition. So I often pile things up at the top and have empty spaces at the bottom. I'm very conscious of the use of empty space which I got from the Oriental artists. The other thing I like is the ying and yang of light areas intruding into dark and of dark areas intruding into light.

An interesting thing happened in the fall of 1962. I didn't notice it then but I've picked up on the significance of it since. The history of Western art changed in the fall of 1962 and the turning point was an Andrew Wyeth show at the Albright-Knox Art Gallery in Buffalo.

The Albright-Knox Gallery is a high-toned, beautiful little gallery, an *avant-garde* snob art gallery with all the Andy Warhols, Frank Stellas, Rosenbergs and Rosenquists. It has Picasso and Matisses and, if you haven't seen it, that's one reason for going to Bufffalo. I can't think of another one, but that is one reason for going to Buffalo and a very good reason. But, at any rate, they had the guts to have a show of Andrew Wyeth.

Now, just to refresh your memory; I'm sure all of you know this. Painting got more and more realistic until the end of the nineteenth century and that's when we had Victorian art. You can picture the wonderful preRaphaelite paintings that were absolutely beautifully done. They were kind of sweet and syrupy and schmaltzy. However, they were beautiful technical work.

Then along came the Impressionists. They sort of discovered paint—yummy little dabs of paint. And the paint got yummier and yummier through van Gogh.

Van Gogh was in love with yellow paint with a little thin blue line giving a sizzle. It makes your mouth water just to think about a van Gogh and a Gauguin. This lush paint!

As you move on through the history of twentieth-century art, paint became more and more "it" and subject matter became less and less until finally in the 1950s with the Abstract Impressionists, it was just paint. Subject matter was of zero interest.

Realism had not been shown in a proper Establishment contemporary art gallery in the twentieth century until the Albright-Knox Gallery had the guts to show Andrew Wyeth in the fall of 1962.

I was an abstract painter. I was at a folksong do with Gus Weisman, an old friend who teaches at the Ontario College of Art.

Gus asked me, "Have you been to see the Wyeth show in Buffalo?" And I said no. He said, "Well, you've got to go." And I said, "Why should I go?" He said, "He's a damn fine painter." So I went to see the Andrew Wyeth show and you can imagine what happened. An avid naturalist, I was thirty years old, on the executive of the Federation of Ontario Naturalists and the Ontario Naturalists Club.

I was involved in conservation, taking groups up doing leadership training—How can you tell a blue beech tree from an American beech and an elm tree from a maple. The flora of Algonquin Park are totally different from the forest flora of Halton County. And here I was trying to paint it in big gobs of yummy paint.

Well, when I saw Andrew Wyeth who cared that this was a field, that was a goldenrod, this was leather, that was canvas, such and such was a stone wall, I realized that the actual planet mattered to Wyeth, and he was accepted by the Art Establishment.

It was my Road to Damascus, that evening at the Albright-Knox Gallery.

It took me two to three years to get out of my Abstract snobbery and finally evolve into the kind of thing I'm doing now. And so that's why I paint the way I paint.

To me, the most important thing in a piece of art is the thought. Technique is totally secondary. For example, the thought behind my portrayal of two lionesses was of two cannons, two howitzers lined up and ready to make the kill. They are loaded, they are aimed, all that awaits is that they be fired. Howitzers are designed to kill and so are lionesses. Using the allegory of the cannons, I emphasized the spines.

I always save my black and whites like the ace in a card game. I played my black and white only in the muscles, nowhere else did I use the full-fledged black and white, so you get the full impact going "boom-boom" like two cannons lined up like that.

I wanted the background to be very quiet and harmonizing, so it didn't compete with the lionesses and to show the sisterhood of lionesses. Of all the animal kingdom, the relationship between females among lionesses, is one of the most remarkable. As you know, a pride of lions is composed mostly of females. There is one male but he is kind of useless and he hardly ever does anything. The females do all the work.

They teach the young. They have very complex strategies that they work out.

There's a wonderful relationship between these ladies, and that is what I wanted to show, with them standing shoulder to shoulder. Two individuals. The faces are totally different.

In fact, I've been to Africa about seven times now, and I've got to know some of the lions fairly well. They all have different faces, just as different as the faces in this room.

I feel the same way about bald eagles. In fact, if we were only sensitive enough and tuned in enough to the world of nature, it may be that everything is very particular and very individual and very specific. Maybe every cricket has a different face, just as different as lions or people. We're just not tuned in.

But, if you start to look at nature that way, you can't say you have seen one tree and then seen them all. With more attention to the particularity and individuality, then I think we might treat nature a little differently, instead of doing a lot of things that we *are* doing to it.

I think art begins where nature ends and I totally reconstruct whatever I see to suit artistic purposes.

This is a picture of dead leaves, rabbits are easy to paint, and so are trilliums. Dead leaves are hard to paint.

I really think dead leaves are underrated in our society. People seem to pick on them all the time. In suburbia, they are next to sin. I think in fact they are worse than sin in suburbia. Sin is okay in surburbia, but dead leaves are not okay in suburbia. People rake them up. They burn them. They treat them badly. Dead leaves are really very beautiful. I think their main problem is that they are small. Everybody just steps on them and picks on them because they are small.

My point is: you really don't need to go to Niagara Falls or the Rocky Mountains or Hawaii to see beauty. You have it right outside your back door. You are stumbling over it all the time, if you are tuned in and sensitive enough to nature. The amazing thing about nature is that you can walk fifty feet and get a totally different viewpoint, a totally different image.

I maintain I am not a detail painter. People keep saying: "I love your work, it is so detailed."

That is not a compliment. It is not an insult either. It is like saying: "I love your sweater; it has so many stitches in it." It doesn't mean it's a great sweater. It has nothing to do with quality. The amount of detail has zero to do with quality.

I left teaching in 1976, when I was forty-six years old. I left it reluctantly, because I really did enjoy teaching, but I didn't have time to do it anymore. The big advantage of leaving teaching was that is opened up my calendar. Previously, the only time I could go anywhere was during July and August and that is the worst time of year to go to a lot of places.

Since then, we've had a kind of magic carpet. Various nature touring companies, particularly Lindblad Travel, have taken me on as a lecturer, resource person, whatever. I point out the birds, and give talks.

If you want to know what I think is the best place to go in the whole world for having adventures in nature, it would be Kenya.

But the Galapagos is wonderful and it's closer and doesn't cost quite so much. If you go to the Galapagos Islands, make sure that you bring your mask and snorkel and flippers; if you don't have any, borrow them. You don't even have to be able to swim. Just lie on top of the water and breathe easily because one of the most wonderful adventures you can have on the planet now is playing with fur seals in the Galapagos.

These fur seals sit around in great big flocks, bored out of their minds, with nothing but marine iguanas to look at. And when a boatload of tourists comes along, they just brighten up and, as soon as any tourists get in the water, they all jump in ready to play. There is no other creature like that on the planet; that is wild, born free, living free, of its own free will having fun with you. If you make like you are a fur seal and put your arms down your side and sort of roll your body around, they go crazy. They come racing at you, do loop the loops and everything.

Back to Canada . . . we took a very poignant side trip into some of the little islands off the northeast coast of Vancouver Island and visited an abandoned Indian village. This is a tragic part of Canada's history. The Europeans came in and virtually destroyed—sometimes on purpose, sometimes by mistake—the culture of the native peoples.

One of the greatest native people in the world was the West Coast Indians. The Haida were the most powerful nation. I happen to consider they were among the finest artists that ever lived—and I count Rembrandt, Picasso and the others. You can see a magnificent piece of Haida work in the Royal Ontario Museum. I think the great Haida carvings were some of the peaks of man's art, including Greek and Roman. Their culture is virtually gone now, being reborn a bit through young contemporary artists such as Bill Reid.

Last year I met the foremost expert on spotted owls in North America, a girl in charge of all the research for Washington state.

The spotted owl is probably the second-rarest bird in North America and needs large acreages of old-growth lowland forest, which is exactly what the paper companies such as Weyerhauser, MacMillan-Bloedel and B.C. Forest Products, need—big stuff that is easy to get.

It is probably going to go all the way to the Supreme Court to try to save some land for the spotted owl. As you probably know, the big forest interests in the Northwestern United States play hardball.

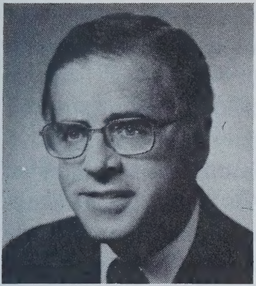
And here is another painting. This is one I was doing for the Smithsonian Institution exhibit, the biggest painting I ever did, six feet high and eight feet wide. An old cow elephant; they are the old, wise ones. I got sick of these wonderful macho males with their trophy tusks, so I showed an old grandmother with her tusks all worn off.

And, speaking of an old grandmother, one of the things on my conscience, having moved out West is that Mom still lives here in Toronto. I phone her every morning before eight o'clock when the rates are cheap from B.C. She is a fantastic lady, totally absorbed in everything. She is always phoning me up and telling me to listen to Peter Gzowski or Vicky Gabereau (CBC radio show hosts) or watch something on television, because she has a three-hour advantage. The reason I moved out West is that I always wanted to live on the ocean. I can go out in the boat on Christmas Day or New Year's Day, or go in swimming, if a I wear a wet suit, any day of the year. I really love the water.

It is a wonderful place to hike, and it is actually Mediterranean climate. So it is the same climate as California, the same kind of vegetation, but you can go over a hill, three or four miles away, and you are into Alaskan type of vegetation.

If you ever go on the ferry from Vancouver Island to Schwartz Bay or, Vancouver to Victoria, the ferry boat goes right by. If you wave a handkerchief, I can see you from my house, and I'll wave back to you if it is a red handkerchief.

The appreciation of the meeting was expressed by James Laidlaw, stockbroker, McDermid St. Lawrence, and a Director of The Empire Club of Canada.



November 20, 1986

Robert J. Callander

President, Chemical Bank
New York

"DEVELOPING COUNTRIES— NEW DIRECTIONS"

Chairman: **Nona Macdonald**
President

Introduction:

Robert J. Callander joined Chemical Bank in 1957 with an impressive academic background. He graduated from Dartmouth College Phi Beta Kappa, magna cum laude, and did postgraduate work at Dartmouth School of Credit and Finance and at Harvard University's Program for Management Development. Also, he collected a degree from Yale Divinity School.

By 1972, he had become a senior vice-president of the bank, and then on to the International Division to become its head. He became one of the bank's three presidents in 1983, and a director of the corporation. He is responsible for Chemical's World Banking Group, which provides a full range of services to corporations, governmental units and financial institutions in the United States and beyond. He is chairman of the Credit Policy Committee of the corporation. In addition, he is a director of the Far East American Council and the Japan Society and the Metropolitan Opera, and is a member of the Council on Foreign Relations and the Association of Reserve City Bankers.

Chemical Bank is the sixth-largest bank in assets and deposits in the United States. It has been established in Canada since 1972.

Robert J. Callander

I am deeply flattered for many reasons that The Empire Club should have asked me to speak, if only because international bankers ain't what they used to be. It may not be much—but it sure beats risk arbitrage!

It is also a pleasure to return to Toronto and to have an opportunity to visit with so many friends. We at Chemical are very proud of our strong business base here, and my guess would be that there are few, if any, here today who do not know Terry Upson, who represents us so well.

Whenever I speak on the L.D.C.'s, I think of John Maynard Keynes who wrote this in the early Thirties:

> "A 'sound' banker, alas! Is not one who foresees danger and avoids it, but one who, when he is ruined, is ruined in a conventional and orthodox way along with his fellows, so that no one can really blame him.
>
> It is necessarily part of the business of a banker to maintain appearances and to profess a conventional respectability. Lifelong practices of this kind make the most romantic and the least realistic of men."

That is one general view on my topic today, but there is another.

I try to convince my investment-banking son-in-law that the debt crisis was not caused by the greed of commercial bankers by pointing out to him that *he* drives a BMW and I drive a Fuego. But that is not an effective argument because he thinks that a Fuego is something like a Taco.

The L.D.C. issue is what I call a "slippery slope" or "banana skin" topic—easy to slip on, and yet, it is there. I thought you might be interested in a few observations.

It is ironic that I should speak about it in Toronto because it seems like only yesterday that Silva Herzog was trying to hold things together for Mexico at the Fund meetings here in 1982.

It is literally only several days ago that a *New York Times* poll reported that "more than half of all Mexicans believe that Mexico's economic troubles are so profound that the country will never recover." The poll "reveals a nation lacking confidence about its future, longing for political change, deeply suspicious of the government's motives, and questioning its leaders' ability to manage the country's affairs." Curiously enough, only 16 percent cited foreign debt as the country's main problem.

Having framed the L.D.C. issue in a Mexican context, which is almost inevitable these days, I should like to make the simple point that those who predicted that the debt bomb would go off (whatever that meant), those who predicted that the international financial system would collapse, those who predicted irresponsibility by the Developing Nations, have been wrong.

Having said that, let me not minimize the problem. Lefty Gomez, who pitched for and talked his way through the Yankee pitching staff in the mid-thirties, once advised a young pitcher that the best way to handle a line drive was to "run in on it before it picks up speed." Well, many of us have worn out a few gloves shagging some line drives coming out of the Developing Countries.

But if it is ironic that Toronto be the place for these remarks, it is also appropriate.

Canada is no stranger to the international economy. You live on it with 25 percent of your GNP exported. The dollar value of your exports and imports combined equal 50 percent of your GNP. Your banking system is outward-looking. Three of your leading banks have more than 50 percent of their deposits in foreign currency and more than 45 percent of their assets abroad. Your banks, like ours, are deeply involved with Latin America, and the evolution of the world economy is as important to the stability of the Canadian financial system as it is to the U.S.

You will note that I did not say how the debt issue would be resolved—I said how the world economy will evolve. For, you see, there is no static answer—no simple, fixed solution. Continuing involvement is a must.

What we do know is that one third of the world controls two thirds of its wealth and that between now and the year 2000, two billion more people will be in the Developing World.

In simple terms, we cannot live as a hemisphere that is half affluent—half poor. Having said that, there are some realities:

1. The U.S. fiscal and external debt, which may have saved the world from depression during the past several years, but for which there will have to be an accounting. Gerry Corrigan of the N.Y. Fed said several weeks ago: "To put it very directly and very bluntly, the mess in our fiscal affairs and the attendant rate at which we are accumulating external debt are fundamentally in conflict with any vision of sustaining prosperity . . ."
2. Not surprisingly, the commercial banks have been reducing their L.D.C. portfolios. According to the I.M.F.: "Net lending by banks to these countries declined to $3 billion in 1985, compared with $14 billion in 1984 and $51 billion in 1982."

   U.S. Federal Reserve statistics show that U.S. banks are withdrawing from lending in all regions of the world. In 1982 U.S. banks had L.D.C. loans and commitments of $181 billion. By 1986 this had shrunk to $145 billion.

   This has been taking place at the same time the equity of the top nine U.S. banks has increased to $34 billion from $20 billion.
3. Despite the reduction in current account deficits from $73 billion in 1982 to an $8-billion surplus in 1985, growth in the key L.D.C. is what we must watch. We must monitor how well the key L.D.C.'s will compete in international markets.

   Paul Volcker (then Chairman of the Board of Governors of the U.S. Federal Reserve System), spoke correctly over the weekend about his concern over American competitiveness in world markets. But, with a weaker dollar and an American export push, one can quickly assess L.D.C. impacts. Who is going to be the importer?

4. There are very serious demographic and migration issues. With the U.S. having absorbed four million to eight million illegal aliens and with one third of Los Angeles consisting if Hispanics, it is ironic to see that only 2 percent of Mexicans surveyed considered overpopulation to be a problem.

It is probably this human element on the U.S. southern border that has elevated Mexico from a bank-debt issue to one of national policy—where it appropriately belongs.

But having said this, there are also some clear positives that have emerged during this four-year period.

We are seeing meaningful co-ordination of economic policy starting with the U.S.-Japanese agreement to stabilize the dollar/yen rate and to achieve more expansionary fiscal policy in Japan. In my opinion, it is only a matter of time before Germany joins in this type of co-ordination. It may just be that the German economy may not be as strong as the figures suggest.

The sharp decline in oil prices and its consequences for Mexico has obscured the equally sharp fall in interest rates over the past 18 months. Over-all, there is a positive effect on the L.D.C.'s from this decline in rates, even though that may be different in a country-specific analysis.

While it cannot be said with any degree of certainty that oil prices have stabilized, one would not be entirely mad in believing that prices might settle in the $15-$18 range. At $18, we begin to see some semblance of equilibrium as we measure the prospects for disparate countries such as Mexico and Brazil.

The steep decline in commodity prices is virtually over. Certain conditions of over-supply may carry into 1987, but the outlook is generally for moderate price increases. This means that the sharp deterioration in the terms of trade for the debtor, L.D.C.'s has ended, and some improvement can be expected.

What this all means is that we have moved away from the systemic danger to the international financial system. This has enabled us to proceed with a more individual approach to problems on the country-by-country or case-by-case basis.

Growth in Latin America has been a problem, but one should not forget that Brazil will grow by almost 8 percent this year, Chile by 5 percent, Argentina by 4 percent, and Columbia by 4-5 percent. Progress, though not sufficient on inflation, has taken place throughout most of Latin America.

Venezuela and Mexico are the countries with growth problems, but again, should be treated as individual cases. The increased competitiveness of Latin American manufacturers resulting from dollar depreciation and subsequent depreciation of their currencies against the dollar should help spur their exports.

With this stabilization of some of the basic economics, it is imperative that the Latin American countries in particular continue to move as rapidly as possible with their restructuring measures. Notwithstanding the criticisms leveled at the IMF for austerity, the fact remains that these countries must continue to help themselves. There is just no substitute.

And many of the L.D.C.'s are doing exactly that. The austral and cruzado programs have missed many targets and used price controls as a tool, but we should not overlook their very substantial progress.

What I am getting at should be clear. In an increasingly interdependent world, there must be a continuing convergence of all interests—the individual-country governments, the debtor-country governments, the multilateral agencies, and the international banks. Efforts in this direction have emerged—none is perfect—but they are initiatives.

The Baker Plan, first unveiled in Korea in 1985, has set a positive and outward-looking base for U.S. foreign policy. It changed the psychology from austerity to economic growth and committed the U.S. government on a case-by-case basis to work with all parties. Most importantly, it put the U.S. squarely behind the IMF and World Bank.

As you know, the economic heart of the proposal was the commitment to support $20 billion in net additional lending from the World Bank from 1986 to 1988 and strong encouragement of the private banks to match these funds. The recent agreement on Mexico is the plan's first demonstrable success.

A second plan has been put forward by former Foreign Minister Okita of Japan, who has suggested that Japan underwrite a $50-billion Marshall Plan for the L.D.C.'s. What is significant is its intent—to cause Japan to recognize that its surpluses must be recycled into the world economy by increasing investment in the L.D.C.'s.

What is missing from this plan is any real suggestion of L.D.C. self-discipline or conditionality. And yet, we must always be aware of underlying political tensions and sensitivities—where conditionality is construed as interference. Perhaps the Okita Plan should direct itself to the World Bank as its channel. This just might encourage even greater efforts by the U.S. and Germany along the same lines.

The third plan being talked about most actively today is that of U.S. Senator Bill Bradley. It advocates that 9 percent of principal that debtor nations owe be eliminated over a three year period so that foreign exchange saved in debt service could be used to purchase more goods from the individual countries. It also reduces interest rates *by three percentage points.*

While Senator Bradley has been criticized for the parts of his program that emphasize debt relief, one should point out that a careful reading of his work shows that he too is oriented toward L.D.C. growth.

It begins to get into some muddy waters where the Senator states:

"The only alternative is debt and interest-rate relief," unless—I might add parenthetically—that he is talking about the U.S. as well. He recognizes that a workable debt-relief proposal must be country-specific, related to debtor efforts to restore investor confidence, and co-ordinated among all creditors.

Where his position breaks down is in the inadequate linkage between debt relief and debtor reforms. Once debt relief is given, there is no assurance that debtor reforms will continue. And that is a very basic weakness in the whole plan.

The other weakness is what Barber Conable of the World Bank pointed out in his speech ten days ago when he said that any program of debt relief would cause new credit for the future to dry up. I believe that, and that is where the Bradley Plan fails to follow through on its statements that growth is the key.

It also misses the point that what we have on our hands will be a continuing *credit* crisis for the L.D.C.'s, more than a debt crisis. The slogan should not be "Forgive us thy debts as we forgive our creditors."

Lastly, the Bradley Plan does not adequately recognize the differences between nations. It does not point out that two thirds of the commercial debt in the Developing World is not owed to the U.S. and its banks. The Bradley Plan would enhance its credibility if it advocated that the U.S. government cancel repayments on its concessional and foreign military sales and Export-Import Bank loans.

Having said this, one should commend Senator Bradley for his involvement in this issue. We, as bankers, should welcome that.

However, it has always seemed to me that we should not have any illusions about the complexity of restoring balance to the world economy. The fact of the matter is that we must continue to buy the time necessary for adjustments.

The banking system has done an immense job in restructuring over $150 billion in sovereign debt since 1982 with minimum disruption to the system. The case-by-case approach has been painful, but it does work.

However, the banking system is not as cohesive or as initiative-oriented as it might be, and we at Chemical have felt for some time that process issues should be lifted to a higher level of coordination.

Problems for us as private institutions continue to exist:

1. Our obligation to our shareholders and therefore earnings streams.

2. Our responsibility to look beyond earnings and support centralist and democratic governments. Latin America is much more politically stable today than it was four years ago, and that is important.
3. Integrity in dealing with countries on a case-by-case basis. This means that we must be clear that, when countries perform to their economic targets or at conditionality levels, they will be rewarded for their efforts. If they do not perform, then they should bear responsibility for that.
4. We must be realists that linkages are inevitable and that the most favourable deal becomes a perceived benchmark—at least in the eyes of the L.D.C.'s —whether we like it or not. But the individual countries should not adopt indiscriminate negotiating positions based on the perceived benchmark. They have to be realists as well.
5. If we are not able to resolve situations by negotiations with a particular country, then it is likely that our governments, in one form or another, will do it for us. That is hardly desirable, but it is certainly inevitable.

The debtor countries, for their part, will need to face the reality that a larger proportion of their investment must come from domestic savings. Domestic capital accumulation has to be fostered by effective economic programs and the formation of more sophisticated domestic capital markets.

In essence, the governments—especially in Latin America—will need to cut their domestic deficits, increase incentives for savings and investment, set realistic and adjustable exchange rates, stop capital flight, and orient their domestic tax and trade regimens to encourage competition and investment. It is most encouraging indeed to see that new regulations in foreign indebtedness and investment in Chile are causing a return of flight capital to that country. Enlightened policies do work.

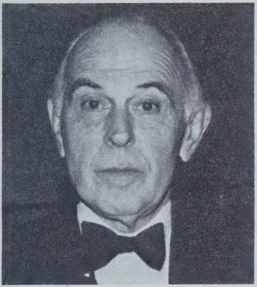
Lastly, the World Bank must continue to move to an even greater leadership role in co-ordinating the efforts of all interested parties. That is happening—perhaps too slowly—but the tone set by Mr. Conable is encouraging.

The World Bank is perhaps the only entity that can co-ordinate the potential sources of new credit flows while at the same time continuing to assist in working through debt restructurings. It is oriented toward growth-oriented solutions and has the capacity to transcend differing national interests.

In conclusion, then, I see new directions emerging in our relations with the L.D.C.'s as the new outlines of world development begin to form like a Polaroid print—not as fast as we would like—but steadily the form begins to appear.

The chemical mix is delicate by definition, but one does not reorder a world economy by edict or the stroke of a pen. It has not been easy, but I have never doubted for one moment that we could get the job done.

The appreciation of the meeting was expressed by Dennis Madden, president, HDM Associates; a former Canadian Executive Director for The Inter-American Development Bank; and a Director of The Empire Club of Canada.



November 26, 1986
A joint dinner with
the Churchill Society

Sir John Colville, C.B., C.V.O.

Former Private Secretary to
the late Sir Winston Churchill

"DEMOCRACY VS. HYPOCRISY"

Chairman: **Robert J. Fleming**
Chairman of the Churchill Society for
The Advancement of Parliamentary Democracy

Biography:

Sir John was born in 1915 and educated at Harrow and Trinity College. At the onset of the Second World War, the young diplomat was seconded from the Foreign Office to Number 10 Downing Street. For nine of the next 16 years, he served three Prime Ministers — Neville Chamberlain and briefly Clement Attlee, but mainly as Private Secretary to Winston Churchill, whom he accompanied on several wartime journeys. After the war, he was appointed Private Secretary to Princess Elizabeth and in 1951 was once again recalled to Downing Street when Churchill formed his second and final government. In addition to the diaries, Sir John is the author of seven books, including *The Churchillians* and most recently *"The Fringes of Power: Downing Street Diaries 1939-55."*

Sir John Colville

I speak with some diffidence in the presence of such a distinguished expert on constitutional matters as Dr. Eugene Forsey. May I begin by making one or two incontrovertible statements. I was telling His Honour that this is my first visit to Toronto in 25 years—your downtown makes New York look provincial. It is my wife's first visit. It is especially interesting for her as she is the great-great-granddaughter of Lord Durham, the man responsible for uniting Upper and Lower Canada and establishing the basis of the Canadian federal constitution.

Hypocrisy, that great deadly sin, is one of the commonest and least attractive of human vices. Lip-service is paid to democracy—to the will of the people—almost everywhere in the world, so that the concept of truly democratic parliamentary government is only challenged in practice, not in theory.

However, in many so-called democracies neither is the parliament free, nor is the method of electing its members democratic; and corruption is all too often rife. In more enlightened lands, the electorate pays less and less attention to the politicians, whose activities they find either boring or distasteful. So The Churchill Society does, I believe, fulfill a most useful role, especially because we can none of us pretend that all the flowers are blooming in our parliamentary gardens. And the presence of members of The Empire Club is both an encouragement and a bonus.

A free parliament in England has, at least since the 17th century, involved the formation of political parties; and it has, in due course, sanctified both their power and their rigidity. Its example has been followed throughout the English-speaking world.

Two hundred years ago, Edmund Burke raised the question whether an M.P. is principally the servant of his constituents and his party, or an independent legislator who speaks for the country as a whole and for humanity. He believed it should be the latter, which is, of course, understandable when rotten boroughs predominated. Nowadays, with constituents apt to agitate for their special interests, the two duties may easily conflict.

Whatever the answer to Burke's question, there was then—and still is—an obligation to the party; and there is a danger of that becoming an obsession, rather than a duty subsidiary to the interests of the people as a whole. Let me remind you of the words sung by the Sentry in W.S. Gilbert's Iolanthe, which I am sure most of you know.

> "When in that house M.P.s divide if they've a brain
> and cerebellum too, they've got to leave that brain
> outside and vote just as their leaders tell 'em to."

But the sentry goes on, most disrespectfully:

> "And yet the prospect of a lot of dull M.P.s in close
> proximity, each thinking for himself, is what no man
> can face with equanimity."

Putting the party before all else must surely be wrong, especially as an M.P. is usually chosen by as few as 30 per cent or 40 per cent of those entitled to vote for him. In a relatively sophisticated society it is only in time of emergency that the popular will is expressed by an overwhelming majority. In normal times an M.P., Conservative, Liberal, Labour, NDP, Social Credit or whatever—may feel obliged by party loyalty to vote against his or her own judgement or even conscience.

If, however, we believe that the alternative to parliamentary government is the one-party state, which is in effect dictatorship, how can we improve the system? Winston Churchill never tired of saying that parliamentary democracy is the worst possible form of government apart from any other that has ever been tried.

It would be admirable, but alas impracticable, to adopt the wider philosophy recommended by Burke in his famous address to the electors of Bristol. We should then elect a man or woman to Parliament (not of course, in Burke's day a woman!), because we trust our candidates to use their votes in the best interest of all their fellow-countrymen and not just as the party managers dictate or the narrow interest of a constituency demand. So I suggest that one great danger to parliamentary government is too rigid a party system.

Nevertheless, if chaos is to be avoided, there must obviously be a fairly strong element of discipline. There are many measures on which almost all in a party are agreed and there are times when it must be right to subordinate personal predilections to those of the majority. But I do believe that the prestige of Members of Parliament would be enhanced if there were more free votes, without interference by the whips, such as we occasionally have in Britain on matters of conscience, like capital punishment. Nor, just because of our traditional respect for Parliament, should we rule out an occasional referendum on matters of significance which transcend party lines. That works very well in Switzerland and not too badly, I believe, in Australia.

Now, of course, we—though not you—have to consider carefully the decisions of the European Parliament and Court of Justice. Though we are assured that these are not a threat to national sovereignty, recently a large minority in the House of Lords had strong doubts about this, and I fear that international courts of justice and of human rights may sometimes seem to be nests of busybodies with an unattractive air of self-righteousness.

The advice Burke gave to parliamentary candidates was: "Show the thing you contend for to be reason. Show it to be common sense. Show it to be the means of attaining some useful end."

I personally think that for us in Britain, submission, at least to some extent, to a European consensus is reasonable, sensible and likely in the long run to attain a useful end, though we must be careful not to be led down dimly lit byways or be a prey to emotional distractions. Decisions prompted by emotion rather than by cool reflection are seldom beneficial. Those taken without a clearly attainable objective, or in response to external pressure, are usually disastrous.

Historically speaking, the nearest approach to genuine democracy was not in ancient Athens, where a comparatively small number of free citizens, all with a right to speak in the assembly, were served by more than six times as many unenfranchised slaves. It is certainly not in the so-called People's Democracies or newly liberated African colonies. Perhaps there has never been a genuine democracy in which all can express their views and their feelings except by letters to the newspapers. There are, and always have been, just too many of us.

Probably some of the old religious sects, like the Puritans and the Quakers, came nearest to it: but, sooner or later, the state obliged them to conform to its secular decisions.

So we are to a large extent left with what in Canada and the rest of the English-speaking world derives from more than 700 years of evolution since the Model Parliament of 1265 in the reign of King Henry III. We tried to hand on this tradition to colony after colony as each was given its independence. We presented them with a mace, and a wig for the Speaker, and we established one and sometimes two Houses of Parliament. In most of them the maces and the wigs are presumably now kept in local museums. The elected chambers have vanished; and at least in one instance, Zimbabwe, the judges are forbidden to act in any case that involves a political issue. The Rule of Law has been overthrown if it causes inconvenience to the executive. In Kenya, alone of former African colonies, an element of parliamentary democracy survives.

Yet this parliamentary democracy, with all its blemishes, is something in which Winston Churchill put implicit trust, as did his prececessors and successors. Perhaps I may digress briefly and speak of Churchill's attitude to it.

He was firmly opposed both to a presidential system and to the separation of powers. He was a stalwart supporter of constitutional monarchy.

As regards presidential systems, he wrote:

"The union of the pomp and the power of the state in a single office exposes a mortal to strains beyond the nature, and to tasks beyond the strength, even of the best and greatest of men."

This was written long before Watergate. Like many of Churchill's prophecies, it does seem to have a certain contemporary relevance.

As to constitutional monarchy, he used to say:

"A battle is lost, the government falls: a battle is won, crowds cheer the King. What better arrangement could you have?" But in any country the head of the state, whether monarch or President or Governor-General, must have the power to act in unforeseen circumstances. Such circumstances might perhaps occur in Britain if, after the next general election, we are faced with a "hung Parliament," resulting in no party having a clear majority. It happens quite often in Holland and Belgium.

As to the 18th-century conception of the separation of powers, Churchill was convinced that direct ministerial responsibility to Parliament gave the People's representatives a vital check on the executive. Certainly in Britain the daily routine of parliamentary questions, though sometimes close to farce, does contribute to that end, and there are other checks and balances.

Roy Jenkins describes, in his excellent life of President Truman, how the President, faced with a nation wide steel strike in 1952, took over the steel mills and was then declared by the Supreme Court to have acted unconstitutionally.

"The immediate result," Jenkins writes, "was that Truman allowed the separation of powers to produce the disorganization of government."

And it resulted, when the United States was still at war in Korea, in a seven-week national steel strike.

As far as the British Parliament is concerned, Churchill, even at the height of his power, when he could have got away with almost anything, always reported to the House of Commons the main principles accepted by the Cabinet on matters affecting the conduct of the war, and told the House of the results, good or bad, that had been achieved. Having done so, he asked the House of Commons for its approval and never shrank from a vote of censure.

"I am," he used to say, "the servant of the House of Commons."

So the House, albeit sometimes critical of detail, and occasionally addressed by him in secret session to keep the enemy in the dark, never withheld its approval of the general principles on which the Government was acting. The Cabinet then, as now, in Britain as in Canada, consisted of ministers of the

Crown, subject individually and collectively to Parliament, and by no means just departmental chiefs or advisers on executive decisions as they tend to be under a presidential system.

It is often asserted that, however ignorant of foreign affairs, defence and economics the mass of the voters may be, they collectively show a degree of common sense that justifies the power entrusted to them at elections. There may be individual ingenuousness; but there is collective wisdom, largely unaffected by party political advertising.

"Trust the people", said Lord Randolph Churchill, and his son frequently echoed his words.

Is that a tenable thesis in 1986? Does parliamentary democracy truly reflect the will of the people?

Let us first examine the dark side of the moon. I speak primarily of my own country, though what I say may perhaps be more widely applicable.

There have been at least three developments in the last forty or fifty years that make the answer to the question whether our system is suitable to modern conditions less immediately obvious than would have been the case in earlier days.

The first of these is the power of the media, especially television, to create *images*. When Mr. Gladstone made his famous Midlothian speech in 1880, every sentence was read and digested by a large sector of a still fairly restricted electorate. The same was true of Disraeli's great discourses, of Asquith and Balfour, of Lloyd-George, Carson and Winston Churchill. I expect it was also true here of Sir John A. Macdonald, Sir Wilfrid Laurier and Mackenzie King.

Today with a far larger and more distracted electorate, there are but few who read in full what the politicians have to say, and newspapers carry only the briefest record of parliamentary debates. Instead, television channels create an image based on a few extracts, often the least important, of the utterances of a party leader to a reporter or at a party conference. Those images are so repetitively presented that the people are left with just a deeply ingrained impression rather than a carefully pondered conviction. On that superficial impression, many, perhaps even a majority, place a cross on their ballot papers. I suspect that most people switch off their television sets when there is a party political broadcast.

A second development is the continuous acceleration of the speed at which we live. Jet aircraft, washing machines, microchips and computers ought, one would suppose, to simplify our lives and leave us more time for reflection. They do precisely the opposite. We are always on the move, always in a hurry. In consequence, we have little time for careful consideration of the issues at stake and, incidentally, we produce many shoddy goods. There is no time for wood to be seasoned. The window frames and the roof in the part of my house built in the 1970s have crumbled and have had to be replaced. Those in the parts built in the reign of Charles II and George III are solid and sound. Thereby hangs a tale that has political as well as economic and social implications.

The third development is the encroachment of the executive. The Legislature has in this century been bridled, and quite often the reins are tightly held. Of course, the Legislature cannot itself govern, but it used to have a much more effective hold over the Executive, as I well remember myself when I joined the Foreign Office in 1937. Wars, welfare and the widening of the administrative net (in, for instance, tax matters) have brought significant changes. Certainly it is easy to exaggerate, and select committees of the House of Commons sometimes exert great influence; but power is increasingly in the hands of a bureaucracy, sometimes dogmatic, sometimes arrogant. to counteract this it is the *will* rather than the *power* of the Legislature that requires strengthening.

I must, however, modify this criticism to some extent, as far as Britain is concerned, for there has recently been a different kind of development by no means welcome to the Executive. Such has been the weight of legislation that even with the use of the guillotine, the House of Commons has had no time to consider in committee, and in detail, all the clauses of complicated measures. So it has fallen to the House of Lords, sitting for weeks longer than the House of Commons, to give careful consideration to those intricate clauses. In so doing, they have defeated the Government on quite a large number of issues, and this curious, as it may seem anachronistic, development has provided one wholesome and unexpected check on the executive. Select committees of the House of Commons have also been diligent in monitoring government actions; and if there is corruption, which I am glad to say is rare in our central government, it is found in local government offices rather than in Whitehall or at Westminster, and never in the judiciary. When the tax burden is heavy, there will, of course, always be an incentive for individuals to cheat just a little bit as I think this poem illustrates:

"In Glasgow she was Glenda;
She was Patsy up in Perth;
In Cambridge she was Candida, the sweetest girl on earth,
In London she was Lucy, the pick of all the bunch,
But now on his expense account
She's petrol, oil and lunch."

There is danger in rigidity. There are, I believe, only two countries in the world that have no written constitution: the United Kingdom and New Zealand. If you have one here, it is largely the fault of my wife's family. The British and New Zealand Parliaments need waste no time in arguing whether a proposed measure is unconstitutional or in seeking 75 per cent majorities; for the governments proceed in accordance with unwritten conventions. That lack of rigidity would have its dangers if a ruthless revolutionary parliament were elected—which is why a second chamber and, in our case, the vast, though slumbering, powers of the Crown are a safeguard. It is, however, most undesirable that the Sovereign should ever have to exercise her theoretically powerful prerogative, and so there is much to be said for a Bill of Rights accepted by all parties. Of course, the trouble would be to draft one that *was* acceptable; for an old-fashioned theory that unfortunately prevails is that it is the duty of the Opposition to oppose. Quite often, I am sure, it should be the duty of the Opposition to concur.

We are the victims of slogans. They proliferate like ground-elder in my garden. Two of them, constantly chanted in the General Assembly of the United Nations, are "Self-determination" and "One Man, One Vote". I notice that the chanters muffle their voices, in the first case, when the affairs of the Falkland Isles or Gibraltar are under discussion, and, in the second case, when one-party states in Africa or Eastern Europe are criticized.

Of course, we have "One Man, One Vote" in Britain as you do in Canada and as, in theory, does every other developed Western country apart from South Africa. We also have "One Woman, One Vote", though that is a 20th-century development. New Zealand was the first country to introduce women's suffrage—in 1900. British women had to wait until 1918, women in the U.S. until 1920 and the poor French ladies until the end of the Second World War. I am not sure where Canada figures in this feminine date schedule, but anyhow nowadays, whether male or female, we are all deemed responsible enough to cast our vote at 18.

Does this make sense? Is the dissolute young junkie as competent to make a political decision as the University professor or the well-established businessman? Might M.P.s be selected on a better basis?

Naturally any such suggestion made by a public figure (which luckily I am not) would be greeted with howls. But I think it is at least worth reflecting whether, at any rate in Britain, parliamentary representatives were more thoughtfully selected when heads of families and householders were the voters. Something of this kind must have been in people's minds in 1918 when votes were given to British women; for at first only those over thirty or holding a university degree were enfranchised.

In Britain, and I expect in Canada too, the M.P.s elected before the two world wars did include mavericks; but they were less objectionable than the cat-calling mob that fills some of our House of Commons benches today. Many of the present-day yahoos are chosen as candidates, not by sober and responsible citizens, but by a small caucus of "activist" agitators drawn from the fringes of society and by no means representative of the party they claim to support.

The selected yahoo, whether Conservative or Labour, is then returned to Parliament by a majority who either automatically vote that way by family tradition; or because they like the TV-created image of the party leader; or because they enjoy watching the results coming through and hope to have backed a winner in their own constituency, however little they know or care about the candidate's sense of responsibility. Modern elections seem to me to have a greater affinity to horse-racing than to political maturity.

This is not, of course, necessarily true of countries emerging from some dictatorial nightmare, as in Spain, Portugal or the Argentine; for the liberated citizens then tend to take their new freedom seriously. But it is all *too* true where parliamentary government is believed to be an indestructible way of life. Unfortunately, it might one day prove to be destructible.

It would be absurd, on account of these actual and potential defects, to criticise the whole concept of parliamentary government; for, as Churchill so often said, "There is certainly no other political system of comparable quality."

Dictatorships may serve well in the train of war or bankruptcy, provided the dictator is sane (unlike Hitler) and benevolent (unlike Stalin). But there is never an adequate successor.

Oligarchy did not vanish with the Whig aristocracy in England; it flourishes east of the Iron Curtain, in Africa and in South America; and it is almost always a malevolent growth, though perhaps the Chinese will yet prove to be an honourable exception.

And there are, of course, the presidential systems of which I have already spoken, combined with the unwieldy separation of powers. The French, who have had comparatively little experience of democracy in their long and glamourous history, less than 130 years in all, have now copied the United States, as have a number of other countries. Well, nothing is more calculated to make one unpopular south of your border than to call into question the sublime quality of the American Constitution, as former Prime Minister Clement Attlee once rashly did. But I am not south of the border so I declare roundly that I believe an Executive separated from the Legislature to be an unwholesome device.

With you or with us, the head of the Government may make a grave error or fall into disgrace. That casts a slur on a minister and on a party, but not on the Queen or the Governor-General. In the case of former President Richard Nixon and Watergate, the head of the state and therefore the state itself were temporarily tainted. Today in the United States, there does, to say the least, seem to be an awkward lack of coordination between an Executive head of state, a Cabinet not directly responsible to Congress, and the Legislature.

This is a society for the advancement of parliamentary government, but much of what I have said so far points out the dangers and the defects. It has, however, always been true, and it remains true, that when a government based on free parliamentary democracy, whatever its parliamentary majority, seeks to impose a measure unacceptable to a majority of the people, the pressure on M.P.s in their constituencies is such that the Government feels obliged to abandon or modify the measure. I have seen changes of course forced on administrations in Britain by popular demand, and I have no doubt there have been similar cases here. That is democracy in action.

However, those are exceptional occasions, and so that the system may in normal circumstances stand the stresses and strains of modern developments, we should turn our minds to ways of strengthening and improving it. Change does not always mean improvement and it can be merely destructive. All the same, I am sure that there is a certain amount of

19th-century dross to discard and one or two radical proposals are worth considering.

I will mention just one that has always appealed to me though it is highly controversial. We shall never recoil from One Man, One Vote; but though all men and women are equal, I take that to be only so in the sight of God. In our society we are quite obviously unequal, both mentally and physically. Might we not then return to plural voting, giving every adult one vote but some more than one? There is nothing original about this idea. That excellent Australian novelist, Nevil Shute, spelled it out in his novel *In the Wet*. Perhaps there should be weight for age; say two votes when you are thirty and three votes when you are forty. I should draw the line there, for septuagenarians like myself certainly don't deserve all that number of votes. However, educational achievements might be rewarded and also service to the Crown and the community. Those of great distinction could thus find themselves entitled to as many as five or six votes. Such a development in South Africa might even, perhaps, lead to the dismantling of Apartheid.

The options are numerous, but I think that if parliamentary government is to survive—and I should find any alternative distasteful—then some special responsibility should be given to responsible voters.

Let us sing unending praises to Liberty. Let us encourage Fraternity: but the second of those French Revolutionary virtues, Égalité, requires careful scrutiny. Equality of opportunity is a noble ideal, but I can think of no country in which it, in fact, operates. For successful parents will always seek privilege for their children, whatever the educational system may be. I have little doubt that the children of the members of the Politbureau in Moscow are given an exceptionally good start in life.

Despite the declarations of Rousseau and Abraham Lincoln that all men are born equal, I believe that that is only so in the eyes of God and of the Law.

The Law, as regards our human rights and remedies must be impartial; but perhaps, as regards *voting* rights, it is worth considering a revolutionary amendment. That is just one option we might contemplate. There are, I am sure, others—no doubt equally contentious—to which this most estimable society could usefully give thought and perhaps an airing.

Appreciation of the meeting as expressed by Dr. D. McCormack Smyth, Director and Past Chairman of the Churchill Society.

November 27, 1986
A joint meeting with
The Canadian Club of
Toronto

John C. Polanyi, C.C., Ph.D.

Professor of Chemistry, U of T
Canada's 1986 Nobel Prize Winner

"A SCIENTIST AND THE WORLD HE LIVES IN"

Chairman: **Nona Macdonald**
President

Introduction:

Alfred Bernard Nobel made a lot of money as the inventor of dynamite. But he was concerned about having created such a destructive substance, and, before he died in Sweden in 1896, he willed millions to award annual prizes to individuals regardless of nationality, who made valuable contributions to the good of humanity. Today we shall meet our own Nobel winner, John Polanyi, who also a scientist, is concerned about the betterment of humanity and the dangers of destructive potential far greater than dynamite.

Is Professor Polanyi the fourth or the fifth Nobel winner named for Canada? It depends on how you examine the question. Canada has been awarded the Nobel four times: The first for medicine, when Sir Frederick Banting and Dr. J.J. Mcleod discovered insulin at the University of Toronto; the second for international peace which went to former Prime Minister Lester B. Pearson, a University of Toronto graduate. The third for chemistry when the National Research Council's Gerhart Herzberg was named in 1971; and the fourth, again for chemistry, to our guest today. Four prizes, five people. But only four are Canadians, Dr. Macleod was a Scot with a British passport!

Professor Polany received the news six weeks ago, on October 15. There is a saying that good things come in small packages—in the same way big news came in a brief communique. Allow me to read the telegram which brought this world-shaking information:

"I have the honour to inform you that the Royal Swedish Academy of Sciences decided to award the 1986 year's Nobel Prize in Chemistry jointly to you and Professors Dudley R. Herschbach and Yuan T. Lee for your contributions concerning the dynamics of chemical elementary processes. Tord Galelius, Scientific Secretary, The Royal Swedish Academy of Sciences."

One sentence in five short lines!

This overnight wire was addressed to the chemistry department at the University of Toronto. The electronic media had the news before the recipient of the award, who was breakfasting at home when he learned of the honour. I need not detail the hubbub that ensued.

Just let it be said that the invitation to join us today was messengered and laid at a door already heaped with congratulations and invitations.

John Charles Polanyi was born in Berlin in 1929. His family moved to England and his father, a scientist and philosopher, Michael Polanyi, became head of physical chemistry at the University of Manchester, from which his son received his doctorate in 1952. Postgraduate work followed at the National Research Council and at Princeton. Then, 30 years ago, Prof. Polanyi joined U of T and made Toronto his home base. Incidentally, this was not his first visit to this city. From 1940 to 1943, young John was a war guest of the late Dr. Michael Cameron, then chief surgeon at St. Michael's Hospital.

In 1958, when John Polanyi received his first research grant, his dean quipped prophetically "be sure to get the Nobel prize," and as his work progressed, recognition grew. His contributions to understanding the molecular motions in chemical reactions became internationally noted. He is a fellow of the Royal Societies of Canada and of London, the American Academy of Arts and Sciences, the U.S. National Academy of Sciences, the Pontifical Academy of Rome and he is a Companion of the Order of Canada. He has seven medals from scientific institutions, a dozen honorary degrees, and is a founding Chairman of the Canadian Pugwash Group. He is the co-editor of a book, *The Dangers of Nuclear War.*

We are delighted to welcome his family here today, his wife Sue, at this table, and in the audience, his daughter Margaret, a reporter with *The Globe and Mail.* His son Michael is attending a lecture at U of T, and can't skip that. And now, the fourth Canadian Nobel winner, Professor John Charles Polanyi.

John C. Polanyi

All honours pale into insignificance in comparison with that of being invited to address the joint membership of The

Empire and Canadian Clubs.

The Empire Club's president, Nona Macdonald, has been most helpful in advising me about the subject matter of this talk. After canvassing the membership, she has told me that people would like to get an idea of the research that I have been involved in, my views of the nature of scientific discovery, comments on the state of science in Canada and the health of our universities, and, of course, a discussion of global problems of peace and security. Apart from this, I am free to talk about anything that I wish.

I had better get started.

When I arrived at the University of Toronto in the summer of 1956 I had a Ph.D. from Manchester University and four years of postdoctoral research experience on this continent. I was given a one-year trial appointment as a lecturer before going on to a further three-year probation as an assistant professor. At that stage, eight years beyond my Ph.D., I achieved the much-vexed status of tenure; I could only be fired thereafter for failure to perform my duties, or if my employer ran out of funds.

My job was to teach undergraduates, to teach graduate students, and to do some research. I knew what I wanted to do in my research. I wanted to discover something about the pattern of molecular motions that lead to chemical reaction. This field of study has become known as "reaction dynamics."

I wanted to do this in the first place because I knew that the question was of fundamental importance, and I sensed (in common with a number of other scientists) that the moment was opportune for what is popularly known as a breakthrough in this area.

I had no thought of any application of this new knowledge—if it could be obtained—nor did anyone ask me to justify my work in this fashion. The assumption at that date was that if the breakthrough in understanding of nature, that is to say in fundamental or basic science, could be achieved, applications would undoubtedly follow. The assumption turned out to be correct.

The important thing was to make a discovery—the bigger the better. For this I had about $2,000 in start-up funds. I knew that the use of crossed beams of reagents was about to revolutionize reaction dynamics. The forerunners of the two great crossed-molecular beam chemists who are the co-winners of this year's prize, had by 1956 pointed the way to that revolution. I knew, however, that it would cost ten times what I had available in order to build a molecular beam machine. I decided to follow a byway, rather than the highway. It is a procedure I have subsequently recommended to beginning scientists in this country, where research strategy is best modelled on that used by Wolfe at the Plains of Abraham. (British General James Wolfe defeated the French defending Quebec in 1759 after scaling a cliff for a surprise attack.)

The department owned a machine for detecting and characterizing the wavelengths of infrared radiation. It was obvious by that stage that, if one could get the conditions right, one should be able to arrange for newly born molecules from a chemical reaction to emit in the infrared. It was not yet so obvious that one would be able to detect the feeble infrared.

If one could do so, the infrared intensity at different wavelengths would tell one what the molecules were doing. Today there are burglar alarms that operate on much the same principle. The most sophisticated can tell the difference between a burglar and a cat.

My first graduate student, Ken Cashion, set up the flow-lines for the rather terrifying reagents, gaseous hydrogen and chlorine, that were to form the hydrogen chloride that, with luck, would emit in the infrared. The laboratory we were offered was a windowless closet that had until then been used by the cleaners to store their mops and buckets.

We needed a continuous high-voltage electric discharge to get the reaction going. With all these hazards plus a large noisy old mechanical pump all crowded into a tiny space, I recall that we got somewhat jumpy by the middle of the night.

Ken Cashion kept an eye on the clock; as an ordained priest, he was required to say mass before the day was done, and in our quarters midnight had a way of slipping by unnoticed.

I won't take you through all the details, but Ken succeeded in observing a weak infrared emission, indicative of high vibrational excitation in the newly formed hydrogen chloride. It took a further decade and the efforts of many devoted and courageous graduate students, like the ten who are here today, to translate this finding into something dependable and informative.

When I referred a moment ago to the graduate students as being courageous, I was not referring to physical courage, but to the quality that allows one to believe in one's judgement in the face of disappointment and widespread skepticism. Intellectual courage is even rarer than physical courage.

I hardly have to tell you that the pursuit of any goal worth achieving involves a high element of risk. The great British scientist Lord Kelvin looking back over his illustrious career intoned:

"One thing stands out above all others in my recollections of a lifetime in research; it is *failure*." (I quote from memory).

It takes a trained and discerning researcher to keep the goal in sight, and to detect evidence of the creeping progress toward it.

Not only must the researcher exhibit these qualities; so also must the sponsor of research. During the crucial fourteen years, prior to our work becoming somewhat established, it was evaluated annually in Ottawa. Fortunately this evaluation was made by those who were themselves currently engaged in research. In arriving at their decisions as to whether to continue the support of our work, and at what level of funding, they followed the advice of leading scientists around the world whom they consulted. The criteria they applied were scientific significance, and evidence of progress toward the goal.

Had they asked whether the research was likely to produce applications and whether those applications would accord with the socio-economic priorities of the day, they would surely have despaired of our work after a few years. They would therefore have killed it by failing to provide the continuity of support necessary in order for us to complete our rather lengthy journey.

It must be evident that I owe the Canadian taxpayer and the departments of Government that administer scientific funding a substantial debt of gratitude. I have indeed been fortunate, and I am very grateful. To this I would add that the overwhelming generosity of Canadians—from First Ministers to janitors—has had the result that there could not possibly be a more satisfying experience than to win this particular prize in this country.

And yet you may know that on the day the bombshell of the prize exploded in my livingroom, when asked by reporters what would be my advice to a talented and ambitious Canadian scientist I replied that I would suggest he go abroad. I did not relish giving that response, but, at this juncture in our scientific history, it is the only answer that I can give. In truth, a talented and ambitious scientist would be unlikely to ask me that question, since the answer would be obvious to him.

Fortunately for us, there are scientists of very high quality who ignore such promptings, and remain here. Canada, let me tell The Empire and Canadian Clubs, is a wonderful country. People want to live here. Scientists, myself among them, are no exception. We should be clear, however, that these individuals live here at a price to their scientific careers that many will not be willing to pay.

We who remain are impoverished by the departure of the others, since the intellectual environment in which one does science is of crucial importance. It is not, I should add, that the numbers leaving are huge. It is just that the marketplace works to ensure that those who leave are often the best.

To remain is to pursue science in the face of two further obstacles: the physical resources in terms of direct research funding and indirect institutional support that we offer to our scientists are a fraction of those available to a similarly talented individual in the United States. (The comparison, of course, makes allowance for differing funding arrangements in the two countries).

I sat on a committee of the Science Council of Canada a few years ago that, after extensive study, came to the conclusion that the individual researcher in this country disposes of about one third of the funds of a similar U.S. scientist. I duly reported this to a weary Minister of State for Science in the Federal Government.

"But that's pretty good," he responded, "given the fact that the U.S. population is ten times ours."

That, I explained, does not mean that scientific discovery is ten times easier here. Funding per researcher must be made comparable. Some day, if we demand it, it will be.

The second jeopardy is more subtle and insidious. It is the constant attempt in this country to make fundamental science responsive to the marketplace.

Because technology needs science, it is tempting to require that scientific projects be justified in terms of the worth of the technology they can be expected to generate. The effect of applying this criterion is, however, to restrict science to developed fields where the links to technology are most evident.

By continually looking for a short-term payoff we disqualify the sort of science that I have been discussing in these remarks: science that attempts to answer fundamental questions, and, having answered them, suggests fundamentally new approaches in the realm of applications.

The barely detectable infrared luminescence that Ken Cashion observed in 1957 led three years later to a suggestion for infrared (IR) lasers—we called "Irasers" because the term "laser" was not yet established. A decade later, the sort of laser we proposed, based on vibrational excitation, had become the most powerful source of infrared radiation in existence. Yet another decade passed before it began to be evident what the market might be for such lasers.

What we see here is the "scientific push," stemming from discovery, creating the opportunity for new technology. "Technological pull" cannot be asked to produce innovative basic science, because the progress of science has its own logic that we ignore at our peril.

Once, however, a discovery emerges, the interacting skills of the engineer and entrepreneur can take over in the next of the risky and demanding stages along the path that leads from research to development. It is not by chance that this is known as R an D, rather than D and R.

I am assured that the business community is well represented in this audience. You have a reputation for being hard-nosed pragmatists, one eye focussed at all times on the bottom line. If that is so, our lives don't differ as much as you may think.

It is true that the bottom line is not the same; I must make discoveries, you must make a profit. It is also true, I hope, that you are better at making a profit than I am at making discoveries (I almost never make a discovery). But, along the way, the forces with which we must contend are similar.

We both live by our wits—a common limitation. To varying degrees we are supported just so long as we gamble and win. You may think that you risk more than we do. You may be right. If you lose, you lose your shirt. As for the academic, he keeps his shirt but forfeits his reputation, his research support, and his ability to do the thing for which he has trained all his life. The gamble is real for him, too.

More interesting still, he gambles within constraints that you will readily recognize. There is an unthinking assumption that the twin tyrants, time and money, that govern your lives, do not rule his. This a superficial view. To be competitive, and my colleagues are competitive in the extreme, a scientist must deliver science that evidences quality and quantity, that falls within the prearranged budget, and that is completed as nearly as possible within the promised time-frame.

The prizes for making a discovery after someone else has already made it are smaller.

You will have no difficulty whatever in translating this into your own lives. I tell this story in order to stress that although we do different things, we do them in very much the same world. The ivory tower does not conceal an opium den.

Here and there in the recesses of academe, it is true that you will find people sleeping. But you will also find, in far larger numbers, people who work hours that are preposterous, because they are determined to do something notable. Many do. Not all, because, as I have insisted, this is a high-risk enterprise.

People ask me about waste in the universities. My reply is that I see more of it today than fifteen years ago. It is the waste of human resources due to underfunding. A device is built by a faculty member that could have been more expeditiously and efficiently bought. Forty professors, supervising one hundred and forty graduate students, are provided with two secretaries. Resources in a nation or province are, I know limited, but we can, I would think, do better in utilizing them.

I have been speaking a good deal about science in Canada, and a little (since I know less) about technology. Both are important to our future. Why do people like me and I am one of many, believe that we in Canada must have both: flourishing science in addition to vigourous technology?

First, because a nation is more than a machine for creating wealth. Science is the glory as well as the terror of mankind. Our respect for ourselves as a people requires that we, as a prosperous and civilized nation, contribute to this central strand in twentieth-century culture.

I am diffident about saying this, but the letters that have come to me from a great number of Canadians give evidence of the desire of people in all walks of life to see their country actively participate, rather than to be onlookers at the feast of discovery.

Secondly we need to excel in some areas of modern science, so that we can improve our chances of doing the same in technology. We cannot as a nation tinker our way to technological ascendancy. Advances in, say, microcircuitry and genetic engineering, are not achieved by self-educated inventors at a bench in the basement, but by individuals whose skills have been honed in the best scientific environment the world has to offer.

Nor can we afford to depend for scientific understanding exclusively on what is published abroad. To use science well, you must understand it well. To understand it well, you must do it well.

Happily, we need have no doubt that we can.

All of my themes could be illustrated in the realm of nuclear technology. Studies of the atomic nucleus in the mid 1930s were presumed to have no possible application. By the mid 1940s they had led to weapons capable of destroying cities, and by the 1950s to the weapons of today that threaten civilizations.

The revolution in warfare that had been heralded with the appearance on the scene of crossbows, then dynamite and next machine guns, had finally come. No serious person today can be heard to argue that a war between combatants armed with hydrogen bombs could be justified as a means of settling national differences, because following such an event the differences would no longer be of the slightest interest. To allow such weapons to be used would be an act of criminal folly.

The superpowers say they believe this, but it will take more than words for them to convince one another that they do. Actions are needed. The only sort of action likely to convey the message with sufficient clarity is bilateral, verified, nuclear disarmament.

I am not referring to total disarmament, since I do not believe that we can disinvent nuclear weapons to such a degree that we can return to the barbarism of the prenuclear era, in which we slaughtered millions in nonnuclear conflicts. Nuclear disarmament is not a means to make the world safe for conventional warfare. The aspect of the Reykjavik discussions that dealt with abolition of nuclear weapons was in my view posturing.

What was real was the notion that a halving of the level of nuclear weaponry could create a new political climate in which the danger of a disastrous war by inadvertence would be much diminished. It would be an act unprecedented in history for two nations with profound unresolved differences to agree to set aside a large portion of their weaponry. "Our differences remain," they would be saying, "but we shall, because we must, settle them without resort to such weapons."

It is vital to our future, yours and mine, that the great powers give each other this assurance. Since it is our future that is at stake, we in Canada have not only the right but the duty to urge the parties on toward agreement.

We should, I believe, applaud President Reagan for insisting that meetings be held against a backdrop of contention over such fundamental questions as human rights. This is the real world, and it should be acknowledged as such.

We should, however, take strong exception to U.S. espousal of antimissile defences (the SDI), whose deployment would require an abrogation of the greatest achievement of arms control to date—the 1972 ABM treaty—a treaty that we owe to the far-sightedness of an earlier U.S. administration.

Not only will the SDI undermine existing treaties, it will also make it impossible to negotiate new ones. In referring to the Strategic Defence Initiative, the President has said that it "threatens no one." Reflecting, however, on the possibility of Soviet advances of a similar nature, he has said that, if permitted to occur, they would leave his country with only two options: "surrender or suicide." A shield on one side, far from "threatening no one," is profoundly disturbing to an opponent, who sees his nuclear arsenal being diminished in effectiveness. In effect he is being unilaterally disarmed.

The likelihood that, in the face of this, he will enter into agreements for widespread disarmament is nil.

Mr. Reagan may well be right in believing that fear of the U.S. SDI has helped bring the USSR to the negotiating table. The Soviets assumed, since the U.S. had said as much, that the SDI was actually on the negotiating table. If they find that it is not, they will be forced, for good reasons, to abandon the negotiations. A historic opportunity will have been lost.

And for what? It is a dream to suppose that the technology of defense can be so effective, in the face of a determined onslaught, that the attack can be rendered "impotent." At intervals, this is admitted even by leading SDI proponents. Alternative rationales for retaining SDI are then put forward.

Some would claim that the Soviet Union is using the SDI as an excuse to prevent a disarmament agreement from being reached. They may be right. The only responsible path on the part of the West would be to give way on the SDI—which Sir Geoffrey Howe, Margaret Thatcher's Foreign Secretary, once characterized as "Maginot Line in the sky"—whereupon we would find out whether the USSR wanted disarmament.

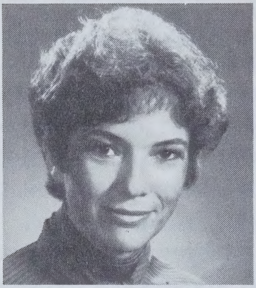
I have given you my views on these matters not because I have been elected by The Nobel Foundation to the vacant post of Delphic Oracle. I am a chemist. I talk about these questions of war and peace for the same reason that I have spoken about them for over twenty-five years. They are of overriding importance, and are necessarily the concern of the literate and the numerate in every profession—including your own.

Science and technology have, through the advent of weapons of mass destruction, issued a challenge to mankind: Adapt or perish. Without the vigourous and imaginative involvement of all thoughtful citizens, we cannot hope to make the necessary changes in patterns of thought before disaster overtakes us.

Scientists, engineers, physicians, lawyers, members of the business community, and others with the privilege of education have a special responsibility to read, think and advise. I would urge you, as a duty to the coming generations, to consider how you might become more involved in this vital and urgent debate.

A wise man in China asked his gardener to plant a shrub. The gardener objected that it only flowered once in a hundred years. "In that case," said the wise man, "plant it immediately".

The appreciation of the meeting was expressed by James K. Warrilow, a Senior Vice President of Maclean Hunter Limited, and President of The Canadian Club of Toronto.



December 4, 1986

Wendy Dobson, Ph.D.

President,
C.D. Howe Institute

"CANADA IN THE CHANGED WORLD ECONOMY"

Chairman: **Nona Macdonald**
President

Introduction:

The prestigious C.D. Howe Institute was created in 1973 and named for a colourful and entrepreneurial Canadian, the late C.D. Howe, who served Canada between 1935-57 in many elected capacities, including that of Minister of Trade and Commerce. Despite *his* Liberal party connection, the *Institute* is nonpartisan and nonprofit. It is supported by the private sector, professional associations and trade unions, all 350 of whom seek its direction and counsel—and *it* seeks to educate to increase public awareness of issues and decisions.

Our speaker today is both President and Executive Director. Wendy Kathleen Dobson came "from out of the West." She graduated from the University of British Columbia as a public health nurse and moved into management, first with Canadian University Services Overseas and then with the Canadian International Development Agency. Her work focussed on demographics, population control and training personnel, and has taken her to many Developing Countries around the world.

In 1972, she became a consultant to the United Nations Development Program and later to its Department of Economic and Social Affairs. En route she took time out for postgraduate work at Howard's Kennedy School of Government and at Princeton where she received her doctorate in 1979. There is many a nurse who aspires to being a doctor, but few become a Doctor of Economics! She joined the C.D. Howe Institute as an economist in 1979, moving to director of policy analysis and then to President in 1981. She is a governor of Waterloo University, a Public Governor of the Toronto Stock Exchange and a director of the North-South Institute. She is a member of eight important advisory committees—including the Hon. Pat Carney's International Trade Advisory Committee, and the Commission on Public Expectations of Audits. She is a member of both the Canadian and the American Economic Associations. She has published, she has commented, and I can vouch for her communication skills by recalling my first encounter with Dr. Dobson at another public affairs forum—a summer Couchiching Conference.

Wendy Dobson

During the past year, Canadians in all parts of the country have participated in important debates about the country's future. One of the catalysts for those debates has been the Federal Government's proposal to negotiate a trade agreement with the United States government.

Today I will focus on the underlying issue: Canada's ability to respond to the changed global economic environment in ways that ensure future growth in Canadians' living standards. I will argue that trade tops the policy agenda, but, regardless of the path we ultimately follow, the underlying issue of anticipating and adjusting to global change is an increasingly urgent one that has to be addressed.

I shall begin by enumerating some of the major changes that have occurred in the world economy. Then I shall examine the adequacy of our institutions and policies to anticipate and respond to those changes. These remarks will draw out some of the themes in the C.D. Howe Institute's annual *Policy Review and Outlook,* which will be made public on December 10, 1986.

My main conclusion is that the Federal Government has identified the correct policy priorities to respond to the changed world, but it has allowed the list of priorities to become too long. To adjust to global change, some very big issues must head the agenda. They require care and attention to be dealt with well. They are in danger, however, of being crowded out by other items and by unexpected events emanating from outside Canada.

There are five key trends influencing what is going on around us. Some are so pervasive as to have become ubiquitous. Yet all should be central considerations in our economic decisions, whether we are in the public or the private sector. These trends are: disappearing world inflation, rapid technological change, growing interdependence, the rising tide of protectionism, and the dangerous risks of political impatience.

The sharp drop in oil prices in early 1986 has pulled inflation rates down to levels not seen since 1964. A disinflationary world is very different than the one in which inflation was rising. It is a far more competitive, cost and productivity-conscious one in which price increases cannot simply be passed on to the customer or the taxpayer.

Closely related to disinflation are the waves of technological change that are sweeping the world, creating a host of opportunities for knowledge-related activities, revolutionizing existing industries, and opening up new modes of production.

Growing interdependence is the third factor. No country any longer is an island unto itself. Almost all economies rely on others as sources of or destinations for capital, goods and services. No country can make economic policies in isolation anymore. The scope for independent domestic policies in a smaller country like Canada is limited by the policies of the large industrial economies, particularly Japan, Europe and the United States.

While world economic growth is slow and unevenly distributed, rapid technical change and growing interdependence are intensifying competitive pressures among countries. In such an environment, the losers tend to voice their discomfort and resistance to change much more loudly than the winners voice the benefits. The resulting political anxiety forces governments to respond in ways that often lead to impatient and ill-advised policy.

One of the most troubling examples of this political anxiety is the trend toward managed trade in sectors in which competitive pressures have intensified, particularly in textiles and clothing, steel, autos, and possibly in softwood lumber. Governments are increasingly involved in regulating trade in those sectors, often using instruments that contravene and undermine the principles of the General Agreement on Tariffs and Trade (GATT).

As a result, protectionism is affecting the current environment in dramatic and unpredictable ways. Our producers of steel, agricultural and forest products are suffering from serious trade distortions and threats of more to come.

The most recent major action to affect Canada occurred on October 16. The International Trade Administration in Washington made a preliminary ruling that Canadian lumber exports are unfairly subsidized by provincial governments and imposed a 15-percent countervailing duty. This decision has put unexpectedly heavy pressure on the industry and governments to agree on an appropriate response.The decision on whether to go to court and the GATT or to negotiate a solution is complicated by the tight timetable called for by U.S. law.

Similar trade actions in other sectors, including autos, can be expected in the months ahead. In the absence of a bilateral treaty-based restraint that might be possible in a bilateral agreement, we are losing our economic independence through the unilateral action of U.S. trade law.

Within the global perspective, the danger of a closing down of the world trading system is a very real and potentially very costly threat to our future standard of living. Recent estimates of the costs of the worldwide protectionist trend show that protection is costing the developed nations one percent of GDP annually; developing nations as a whole, ten percent of GDP; and has slowed world growth by two percent a year!

These five features of the changed world environment contribute to the turbulence and uncertainty we are experiencing. In such an environment, the Canadian economic ship needs to steer a carefully plotted course; with the crew and captain ready to take advantage of favourable shifts in the wind or to trim the sail and adjust the rudder in anticipation of unpredictable squalls.

Most Canadians can agree that the preferred economic course is one we chart on our own—an independent one that is successful because we are better than the competition. But being better requires that our productivity grow more quickly; that we be the first with new products that others want to buy; that we invest steadily in human resources and productive equipment; that our attitudes and institutions promote reasonably rapid adjustment to new opportunities and accept the necessity of phasing out the obsolete and uncompetitive. Being better requires agreement among the major economic actors—labour, business and government—on the goals.

Unfortunately, however, Canadians have tended to rely on their natural resources, rather than on standards of excellence, to maintain their living standards. Yet in the changed world of low inflation and interdependence, commodity prices are likely to remain at low levels for some time. Indeed, since the deep 1981-82 recession, Canada's term of trade—the prices for our exports (of which more than fifty percent are resource-related) relative, to the prices of our imports—have fallen nearly ten percent. Since the 1980 peak, they have fallen fifteen percent. This means that, as a country, we now must live within reduced means.

Looking beneath the national averages, the implications are more serious. The burden of decline in the terms of trade is being borne unevenly across the country. Western Canada, the Atlantic provinces and Northern Ontario are faced with continuing recession while Southern Ontario copes with an industrial boom. This duality in Canada' economy has resurrected the regional tensions that underlie confederation at a time when we must live within reduced means.

As a result, Canada faces the need, not only to respond to the external pressures of a changed world, but also to respond to its internal pressures as well.

How can we respond effectively to these changed circumstances? Through appropriate institutions and policies. The Macdonald Royal Commission, which reported last year, examined our institutions in the light of the need to respond to global economic change. It recommended some fundamental and controversial changes.

A well-known institutional economist, Mancur Olson, has made his life's work the study of social groups and economic change. In his recent book, *The Rise and Decline of Nations*, he studies the role of special-interest organizations and concludes that, in lobbying for changes that increase their slice of the economic pie, they reduce efficiency and aggregate income in the societies in which they operate. They tend to slow down a society's capacity to adopt new technologies and to reallocate resources in response to changing conditions, thereby reducing economic growth for the country as a whole.

Time is insufficient to make more than this general point. To respond effectively to the rapidly changing economic environment, our institutions, in all sectors of the economy and in all regions of the country, should aim to facilitate, rather than to block, inevitable change.

It is my perception that the 1981-82 recession forced new attitudes and awareness on Canadians that will eventually reshape our institutions in this direction. In parts of the country, Canadians are more open to ideas and anxious to adapt to today's world. They are more outward-looking and aware of the need to be competitive and to earn their way.

The other major vehicle for change is our public policies. I began these remarks by asserting that the Federal Government has adopted appropriate economic priorities. But, as I shall show, the agenda lacks strategic management. New directions in policy require large and complex changes that cannot occur too quickly.

Because of the difficult global environment, unexpected shocks must also be anticipated at any time—from new sources of competition, new technologies, sudden changes in prices, exchange rates or interest rates, and from harsh and abrupt trade actions.

They will cause unexpected changes in priorities. If the agenda is already heavily loaded, policies essential to an effective long-term strategy will be in danger of being overlooked or badly handled.

Our view of the economic outlook for 1987 is moderately optimistic. Few signs exist of inflationary pressures. Unemployment is continuing to decline. Growth momentum is picking up as the effects of lower interest rates, lower oil prices, and currency realignments feed through the world economy.

There are, however, two major caveats. Because of the imbalance in trade and capital flows caused by the propensity of Americans to finance their federal budget deficit by borrowing abroad, serious risks exist of protectionism and of an abrupt rise in U.S. interest rates should the foreign capital dry up. This is why trade policy, budget policy, and policies that promote greater adaptability in the Canadian economy, including tax reform, labour market policy reform, and reshaped industrial policy, must head the policy agenda.

In 1986, major U.S. trade actions were taken against steel tubular product, steel forklifts, carnations, sugar products, shakes and shingles, and softwood lumber. Canada levied its first-ever countervailing duty against U.S. products with a sixty-seven percent duty on U.S. corn imports.

These disturbing events should not be surprising, however. They are predictable outcomes of global disinflation, increased competition, and chaotic U.S. economic policy. The Institute has been warning against them for several years.

Canada's access to the U.S. market is at risk. The world trading system is at risk. Without trade disciplines agreed to among governments, the world is drifting into managed trade in which the strongest voices carve up market to the detriment of consumers, efficient producers, and weaker voices.

The risks of such a trend becoming entrenched were reduced somewhat by two events in 1986: the initiation of Canadian-U.S. trade talks aimed at creating treaty-based restraint to barriers to trade and investment between the two countries; and the successful launching of the Uruguay round of GATT talks in September.

As a member of the private-sector International Trade Advisory Committee (ITAC) to the Minister of International Trade, I participated in the GATT meeting. I was struck by the reason governments threw their support behind the talks. They need the external source of discipline to tie their hands in ways that allow them to resist domestic pressures for protectionism.

Canada's interests are best served by according both talks the highest priority. Indeed, the two routes are complementary. Many of the trade actions affect the prospects for Canada's already-depressed natural resource industries, and, of course, workers and consumers. Some of our interests, such as those in agriculture, have to be pursued in the 92-member forum at GATT. Others, such as restraining U.S. trade actions, will be most effectively addressed in the bilateral talks.

During the coming year, the bilateral discussions under way since last June can be expected to solidify into packages of demands and concessions on both sides. The talks will have to be completed by next fall, if they are to take advantage of the fast-track authorization process in the United States. It expires in January 1988 and may not be renewed.

Considering the difficulties in the world environment and in the U.S. economy, Canada's long-term economic interests will be severely damaged if we do not augment our access to the U.S. market.

Indeed, as informed Americans are at last beginning to realize, their own long-term interest in a more open world trading environment could be severely damaged if they are unable to make a deal with their closest trading partner.

In the meantime, the barrage of trade actions and complaints has to be managed in a way consistent with long-term interests. Canada's *ad hoc* reactive approach, witnessed in the softwood lumber case, should be replaced by an anticipatory management strategy. This strategy should be based on the realization that trade actions will continue. Such actions could soon include automobiles, in view of the rapid development of too much productive capacity in North America. This stragegy requires at least four elements:

- **Better information.** Canada faces highly sophisticated lobbies among its antagonists in Washington. Coalitions of consumers and of legislators need to be targeted with far more effective information campaigns about what they stand to lose from successful protectionists lobbying by U.S. industry;
- **Better anticipation.** As we have seen in the softwood lumber case, innocent though we may be, the arbitrary often-political nature of U.S. trade actions can rule against us. We have little recourse, once a judgement is made, except to lengthy and labourious international and legal channels or to *ad hoc* negotiations where we are at a disadvantage. Surely our own self-interest is best served by finding joint mechanisms to consider complaints as alternatives to trade law actions. The best such joint mechanism for the future may be to find imaginative ways to roll major issues into the bilateral trade negotiations;
- **Subject the United States to its own game.** Though dangerous because it can get of hand, judicious pursuit of complaints against U.S. producers, such as has happened in the case of corn imports, can sensitize U.S. legislators to the costs of their own protectionism;
- **Streamline our own apparatus.** One of Canada's Achilles heels in trade negotiations is the unwieldy federal-provincial apparatus for negotiating and implementing international trade agreements. Quick federal responses, often required in the current environment, risk offending the provinces. Yet lingering long

enough over often-public discussions designed to promote consensus reduces the speed and confidentiality often necessary to turn back the trade-action steamroller.

Before I leave this vital subject, let me add one more comment. Trade talks and trade disputes are likely to demand more and more policy attention. Yet Canada cannot afford to neglect the important opportunities that are opening up with Japan, its second-largest trading partner. Momentous economic changes are under way in Japan that will lead to more open markets for Canadian exports and to Japanese interest in investing in Canada in ways that complement our trade objectives and expand our otherwise-shrinking options. This subject must be accorded high priority.

The second policy priority is to reduce the federal deficit. Many Canadians doubt the federal deficit is under control. Especially since the Federal Government was pushed off course in September 1986 by the necessity of cancelling the PGRT and extending assistance to farmers. These were necessary and useful measures to help those heavily burdened by the sudden and unexpected drop in world prices. Since then, however, it has become increasingly clear that the adversity is not temporary. Governments in Western Canada are recognizing this fact and are "down-sizing" to live within reduced means. The Federal Government is going to have to do the same.

So far, we lack the signs that policy is recognizing this fact. But it is only fair to await the spring budget. In that budget, we should expect, in recognition of the changed world, several changes:

- **Evidence of a management rule** that any new spending commitments must be offset by spending cuts elsewhere in the budget. So far, we have not been informed of where the $1-billion aid for farmers has been found, nor where the new spending promised for regional development programs will come from;
- **A growth-related deficit reduction plan.** While the

medium-term deficit-reduction plan has been pushed off course in 1986, reasonable growth in 1987 will require that the deficit return to its original target. Thus, if growth is three percent or better in 1987, the deficit should be expected to drop to $26 billion as targeted in the February 1986 budget.

These suggestions recognize two hard realities in the world around us. The Canadian fiscal plan is still a hostage to a slowdown in economic growth or an unexpected increase in interest rates. The federal debt continues to accumulate; if interest rates rise unexpectedly, as they could do at any time, sudden Draconian deficit-cutting measures could be required. Unfortunately, the signs in Ottawa and the provincial capitals are that many decisionmakers are motivated by political time horizons rather than by international realities. Signs of discipline and prudence are lacking nearly everywhere but in the Department of Finance.

Nowhere is the lack of discipline more publicly evident than in the conduct of Canada's industrial policy. During the past two years, we have witnessed a series of measures that can be described as bailouts and subsidies on regional development and employment-preserving rationales that are rather dubious.

Ad hoc measures like these run the risk of salvaging Canada's industrial past for engraving on the Canadian Shield, when the same funds could be used to shape the future or reduce the deficit.

We run three risks by continuing to throw money at problems: first, of turning Canada into an industrial museum of costly and antique production facilities; second, of practicing an industrial policy inconsistent with an outward-looking trade policy; third, of frustrating our objective of freer trade by employing grants and subsidies in ways that provoke retaliation.

At the same time, we foreclose opportunities to shift to a policy framework in which the principle is to cushion the losers in declining industries while they find alternatives, and to encourage new industry. By this principle, resources should be channelled to the individual who must bear the burden of adjustment by retraining and moving to new jobs. By this principle as well, more attention would be paid to creating a climate that encourages modernization and growth through deregulation and tax reform and through investing in an infrastructure that educates the skilled labour force and promotes the research and diffusion of research required for the industries of tomorrow.

Time prevents elaboration on other priorities—of tax reform and review of unemployment insurance. The Institute's views on priorities for made-in-Canada tax reform are included in the *Policy Review.* We look forward to reviewing the Forget Commission report now that it has been made public.

In conclusion, the approaches I have outlined today are not always simple or popular. Yet they are consistent with the unforgiving international environment in which Canada now finds itself. Declining inflation, rapid technological change, and growing interdependence rule out old ways of doing things but also open new opportunities if we shape our national economic agenda in a forward and outward-looking way. Most Canadians agree that the preferred economic course is one aiming at excellence.

The economic course to excellence will be one characterized by leadership and institutions that evoke a broader consensus on the means than we have right now; on a dynamic private sector supported by a public sector whose priorities are carefully chosen and adhered to with discipline.

My remarks have been oriented to the appropriate policy response because I head a policy-research institution. The priorities are clear: to expand access to international markets—this is the only effective and lasting solution to the unpredictable protectionist tide flowing around us; to reduce the vulnerability to slower growth or unexpected interest-rate increases posed by the federal deficit; to increase the flexibility of workers' and firms' responses to economic change by ensuring a climate that encourages risk-taking and innovation, that assists individuals to find their ways successfully in the face of change, and that supplies the skills and the innovations that will create tomorrow's new industries.

Sensible and co-operative leadership from all industrial sectors and from all levels of government is essential to an effective national response to the urgent task of responding to the changed global economic environment in ways that protect the future living standards of Canadians.

The appreciation of the meeting was expressed by Robert L. Armstrong, Chairman, Commeration Funds for Canadian Cancer Society (of Ontario); a Past President of The Empire Club of Canada, and a Director of The Empire Club Foundation.

December 8, 1986
A meeting held by The
Canadian Club of Toronto
and The Fraser Institute,
with
special co-operation by
The Empire Club of Canada

Mangosuthu G. Buthelezi

Chief Minister of KwaZulu, President of Inkatha, and Chairman, The South African Black Alliance

"GOALS BEYOND THE DESTRUCTION OF APARTHEID"

Chairman: **James K. Warrilow**
President

Biography:

Dr. Mangosuthu G. Buthelezi, Chief Minister of the KwaZulu Homeland, a position held since 1976, is also President and founder of Inkatha (the National Cultural Liberation Movement); traditional Prime Minister of the Zulus; and Adviser to the Zulu King. His ancestry can be traced back to King Shaka, founder of the Zulu nation, now numbering 6 million.

His Excellency, who received a Bachelor of Arts from the University of Fort Hare in Alice, Cape Province, has travelled extensively to present his views on the future of South Africa to heads of state and has published several articles and books on the subject. In 1978 he was awarded an honorary Doctor of Laws from the University of Cape Town. Other awards include Newsmaker of the Year by the South African Society of Journalists, French National Order of Merit and the George Meany Human Rights Award by the AFL-CIO. He serves as Chancellor of the University of Zululand and Chairman of the South African Black Alliance. Despite his staunch opposition to apartheid, Dr. Buthelezi opposes the use of economic sanctions against his country.

Mangosuthu G. Buthelezi

It has long been accepted by all civilised communities that civil rights issues are a matter of international concern. Where there are no civil rights, people do not get the governments they deserve. Where there are no civil rights, it becomes a matter of international concern that the situation is rectified. Where there are no civil rights, the people must struggle for their liberation but it would be a callous and inhuman world in which the international community stood by only as interested spectators to see whether tyranny could be overthrown.

All humanity demands that nations put civil rights issues beyond their own party political agendas, and the international community should facilitate every effort any nation makes to side with struggles against tyranny.

In recent years, there has been a vast upsurge of international concern about apartheid, and the South African government is now repeatedly rejected and condemned for its unwillingness to move South Africa into the democratic twentieth century. As a black South African leader, I thank the West and I thank Canadians for their deep concern about apartheid. Our opposition to apartheid is strengthened by your opposition to apartheid.

In South Africa, I strive for one country, with one sovereign parliament, with universal adult franchise and for a constitution and parliamentary system in which it is totally impossible to distinguish between one human being and another on the basis of race, colour or creed. This is what Canadians themselves aspire to and I share with Western civilised thought the thought that there can be no justice in any society in which racism determines who will be privileged and who will be underprivileged.

I make these few remarks at the outset because I just want to clear the air of one problem and that is the problem of the way my leadership and Inkatha's role in the struggle for liberation is distorted by my own political enemies. I am again and again castigated as a Zulu tribal leader and I ask all thinking Canadians how I can be seeking a special Zulu future if I seek a constitution, parliamentary system and a code of law quite incapable of distinguishing between Zulu, Xhosa, Sotho or any other black of any other black ethnic group. South African law and the existing tricameral parliament and the hideous existing constitution cannot distinguish between white South Africans of Jewish, French, or any other descent.

The only safeguard against discrimination is to remove the definitions of race from the constitution and the law. That is what I strive for. Inkatha's own constitution does not distinguish between Zulu-speaking South Africans and non-Zulu-speaking South Africans. Once a member has joined, there is no possible way of discerning his or her ethnic background. That is why I am sickened by people in the West who keep on asking me how many Zulus and how many non-Zulus are members of Inkatha. We keep no such ethnic roll in Inkatha. We put into practice in our own constitution that which we want to see in the constitution of South Africa.

Inkatha is stronger in KwaZulu than in any other region but the strength of Inkatha in that region has historic and political determinants, not ethnic determinants. The people of the region which apartheid knows as KwaZulu were adamantly determined that they would not be manipulated into the kind of quasi-independence which proved possible in places like Transkei, Bophuthatswana, Venda and Ciskei.

The homeland policy established an arena and we took up the challenge to grapple with apartheid in that very arena. We have thumped apartheid in that arena and it is our solidarity against oppression, and it is our achievements in solidarity, that has bound the people of KwaZulu together. They are bound together by South African ideals; by black South African yearning for freedom and by a black South African deep-rooted and irradicable determination to banish racism, including the racism of what the West terms "tribalism," from the face of South Africa. Blacks in South Africa have seen the horrendous consequences of the Afrikaner cultural group attempting to preserve its identity through political domination. No black South African worthy of the name will ever attempt to emulate apartheid in this way. Cultural groupings are rich in their heritage, as you know here in Canada, and culture is invaluable to the humanity in us.

English-speaking Canadians suffer no disadvantages at law or before the Constitution because Canada has a French speaking cultural group. French-speaking Canadians are not disadvantaged before the law and before the Constitution because they are French-speaking Canadians. Both enjoy real democracy and real equality. Culture does not have to be destroyed in South Africa to produce national unity of purpose and total equality.

My leadership and Inkatha's role in South Africa is so wrongly and so repeatedly attacked in Canada that I thought it necessary to put the record straight in this regard. I ask Canadians simply to reflect on my statement that, throughout my political life, I have fought for the total eradication of racist principles in our constitution and in our law. That fight is totally incompatible with the fight to seek ethnic advantage.

The struggle I wage, together with black South Africans in a variety of different political parties and associations, is so much more than a struggle simply to eradicate apartheid for the scourge that it is. Black South Africans are intensely aware that the struggle for liberation is more than that. In the West, this fact is sometimes lost sight of. Apartheid is so hideous and so offends humanity that its eradication seems justified as an end in itself. In this, of course, they are right, but there are at times many who fail to see that the struggle in a country has to strive to achieve more than the eradication of apartheid.

We not only have to eradicate apartheid but we have to rewrite the *entire* constitution. The struggle is more than a struggle against unjust laws. It is a struggle to establish a legislature that can make just laws, and this is where I appeal to Canadians really to understand that the script of the society we will live in, in a post-apartheid era, is now being written by the way in which we eradicate apartheid. The South African struggle would be so much simpler if it were *only* a struggle to eradicate apartheid.

The struggle is complex because not all those who seek to eradicate apartheid wish to establish the same kind of society after apartheid. There is the nub of the whole problem. Deep divisions between black and black on the question of tactics and strategies are actually deep divisions about what kind of an end-product we would want our tactics and strategies to produce for us.

Black South Africans struggling for a future one-party socialist state choose the tactics and strategies most likely to bring about the circumstances in which they can do so. Black South Africans who struggle to establish a multi-party democracy in a country that retains the free-enterprise system, seek the tactics and strategies most likely to produce that kind of society. Lines of division between black and black are now drawn by these crucial differences of opinion about what comes after apartheid is eliminated. Canadians must understand that not just *any* means of eradicating apartheid is good enough, unless, of course, it is totally immaterial to them what kind of society follows apartheid. It is on this thought that I want to dwell as my message to Canada.

I would like first of all to observe that seldom, if ever, do violent revolutionaries aspire to establish a multi-party democracy in which they have to compete with others for the right to rule the country they have liberated.

Liberation movements across the world claim the right to rule as a just reward for the revolution they waged. More than this, revolutionaries across the world have a very marked tendency to use the wisdom that was shaped in revolution to rule after revolution. When the kind of wisdom shaped by revolution is used in government, people have to be coerced into doing what is right.

Post-revolutionary governments continue to coerce people into doing what is right. Across the length and breadth of the world, revolutionaries have shown a propensity to assume that they monopolize wisdom about politics and economics and to rule by proscription in post-revolutionary times.

It will be no different in South Africa. There is no South

African revolutionary group fighting to establish a multi-party democracy in which they will have to test themselves before an electorate after the constitution they have not devised is put into practice. This is why the African National Congress says that the only negotiations they are interested in are negotiations to hand over power to the people. They are not fighting a revolution to establish a national convention where the people of South Africa will chart their own course into the future. The ANC Mission in Exile sees itself as a government in exile and it wants to rule as a government returned from exile; it wants to establish a one-party state and it wants to establish a *socialist-controlled economy.* I make no political propaganda when I make this statement.

The ANC Mission in Exile and those in South Africa who work with them accept the Freedom Charter as *the* South African document on which constitutional, political and economic developments will be based. The Freedom Charter is, of course, none of these things; it is not a document of systematised economic order; it is not a draft constitution; it contains no word about parliamentary systems.

It is a document that enunciates some first principles and the ANC Mission in Exile wants the power to interpret it and to put it into constitutional, legal, and economic practice as they best see fit. Their concept of democracy is a concept in which the electorate determine which of the candidates put up by the ANC for election will be returned by the people.

I believe that democrats in Canada owe it to South Africa to verify what I say is true. This is what the ANC is, in fact, saying themselves.

The crucial question facing black South Africa is whether it wants a one-party state in the future or a multi-party democracy. I have always striven for the latter from the beginning of my life in politics, because that has always been the primary aim of the South African struggle for liberation ever since 1912.

There is a vast political tradition in black South Africa produced by generations of political endeavour. In this tradition, the ideals of a multi-party democracy are hallowed traditions. I am not blind to the need for adaptation and change as time passes but there is in this matter no need to change. And in fact vast intimidation will have to take place to get black grassroots opinion to reject the ideal of a multi-party democracy.

This hallowed ideal in South Africa must be retained for intensely practical reasons. I know of no true democracy in the world where people are not governed by consensus. Unless there is consensus among the people that they want to be governed as they are being governed, democracy, as Western industrialised nations know it, is impossible.

I say that a multi-party ideal is the only ideal which could produce the consensus that good government requires. Revolutionaries in South Africa are aware of this and they are aware that it is possible now in South Africa for us to begin making real progress towards consensus about the nature of government in a multi-party democracy. They are aware that this consensus could be reached through the politics of negotiation. They do not want that consensus to emerge demonstrable to the whole world and they dare not allow the politics of negotiation to gain ground for fear that positive outcomes will show that their rationale for the need for revolution in South Africa is more than suspect.

I also opt for a multi-party democracy, because nowhere in the world where there is a multi-party democracy is there a socialist economy. There may be varying degrees of state control over the economy but it is absolutely true to say that the relationship between a free-enterprise economy and a multi-party democracy is a close and intimate relationship. The one implies the other. Whether I like it or not, I must conclude that only the free-enterprise system in South Africa could possibly generate the kind of industrial growth that can produce the vast wealth any government would need to govern effectively after apartheid. Throughout the Third World, we have again and again seen that desperate poverty after liberation has led to ongoing cycles of revolution and counter-revolution. Mass poverty is the enemy of democratic government.

It is simply idle to believe that revolutionaries returning from exile, once ensconced in power in South Africa, could have between them the kind of expertise that it would require for a socialist government to equal the performing power of a free-enterprise system. Apartheid has put ideological goals before sound economic development, but it has had to do so within the restraints of at least a commitment to the fundamental principles of the free-enterprise system. A future revolutionary one-party state lacking even those restraints, in addition to lacking the necessary expertise, will put ideology before economics and the whole world will be witness to the fact that ideology does not fill empty stomachs.

South Africa's black population was 22 million in 1980 and it has been expanding at the rate of something like three per cent per annum. Projections show that, at best, the black population in South Africa will be 35 million in the year 2000, 67 million in the year 2050 and 73 million in the year 2100. At worst, given the continuation of present trends of rates of unemployment, and the continued deterioration of the social environment of blacks, projections show that the black population will be 37 million in the year 2000, 160 million in the year 2050 and 846 million in the year 2100.

There is now a vast population bulge such that over fifty per cent of all black South Africans are fifteen years old and younger. Whatever we do in the struggle for liberation, we must bear in mind that the future we create is a future in which this huge population bulge will be hitting the marketplace. There is already vast under-employment; there is vast unemployment; there is vast poverty and there are vast backlogs in the essentials necessary to meet the people's education, health and welfare needs.

We dare not abandon this vast new generation of young South Africans to the mercies of ideologues who put party political survival above the need to supply food to the masses. How many Canadians actually believe that a one-party Marxist government in South Africa will be able to orchestrate a very rapid expansion of the country's cash economy? Those Canadians who share with me a deep concern about the economic future of South Africa for the sake of the young people there, must necessarily agree with me that it is only the politics of negotiation leading to a multi-party democracy in which the free-enterprise system will be retained, that will give the struggle for liberation a positive lasting justification.

I repeat that the struggle in South Africa is more than a struggle to overthrow apartheid. Right now there is a race against time to see whether apartheid will be eradicated by violent means or by non-violent means. It is no longer a question of whether apartheid can be overthrown. Apartheid is doomed in South Africa; it cannot last. We have now to face up to the crucial question of how it is going to be overthrown. The assertion that it can only be overthrown through revolution is without foundation in any reality.

I want to make the rather sober statement that unless there is a substantial input from the West, apartheid will be overthrown by violence. Western governments need to understand that revolution in South Africa will fail dismally and will be easily overtaken by the politics of negotiation were it not for outside intervention. South African revolutionaries have the full moral, political and material backing of the Soviet Union and the Socialist world. Without that backing, and without the backing of members of the Organisation of African Unity, revolution would be a non-starter in South Africa, not because South Africans are incapable of revolting, but because the vast majority of black South Africans do not wish to bring about change through revolt.

It is simply put when I say it is grossly unfair of the West to expect black South Africans to succeed in offsetting the vast inputs from the Soviet Union without Western aid.

I believe it is vitally necessary that the West develops a very discerning perception of what kind of aid will help balance the scales in South Africa and help bring about a multi-party democracy through the politics of negotiation. It is because I believe so vehemently in the need for a multi-party democracy that I oppose sanctions as a weapon which black South Africa endorses in the struggle for liberation. Sanctions minimise the channels through which the West needs to make vital inputs into South Africa. Sanctions may be a very effective way of sending strong messages to Pretoria, but it is not Pretoria that is going to win or lose the battle for democracy in South Africa. Sanctions may be a very effective way for the West to make moral statements but moral statements in the West will not suffice to balance the scales of revolution versus negotiation in South Africa.

I plead with the West now to accept that the sanctions that have been imposed against South Africa are sanctions that have already proclaimed the West's repugnance of apartheid and have already sent very strong signals to Pretoria. More sanctions will not produce more Western morality. More sanctions will not make the West's message to Pretoria any clearer. *We now actually live in a post-sanctions era.* Sanctions are realities and they are realities that will inevitably have to be paid for by black South Africa. If for no other reason at all, Western governments should hold their hand on the sanctions front for humanitarian reasons.

Let the West first really determine what the effects of sanctions are and who pays the price. Limited sanctions is a concept which Westerners feel comfortable with, because it denotes that the West is not intent upon destroying the South African economy as such. The West limits sanctions just sufficiently to ensure that sanctions do not go beyond telling moral and diplomatic pressure and do not become destructive. I understand Western sentiment in this regard. I simply ask the West to understand that the concept of limited sanctions is nebulous for hundreds of thousands of black South Africans the so-called limited sanctions have doomed to unemployment already.

Canadians will only pay a small price for Canadian sanctions against South Africa. The South African government will make the internal adjustments that will result in them only paying a small price. The privileged class of whites will make further adjustments but what adjustments are there for poor labourers to make once they lose their jobs? Sanctions will radicalise what is already a very volatile South African situation.

Sanctions will work to radicalise black politics and this is precisely why the more revolutionary a black South African is, the more fervently he calls for sanctions. For revolutionaries, the application of sanctions is not the last step in non-violent action. It is a first step towards violent action. Deepening poverty suits the revolutionaries. It undermines non-violent, democratic opposition to apartheid.

Apartheid is reprehensible and it does amount to a crime against mankind. The international community is entirely justified in taking action to oppose apartheid. I know a great many prominent North Americans both in the United States and here whom I profoundly respect who have campaigned for sanctions. I respect their reasons for doing so, but I say now to them: Do not let disputes over sanctions divide the people who belong together in the fight for justice. Do not let differing views on the efficacy of sanctions isolate us from each other when we belong together because we share the same ideals.

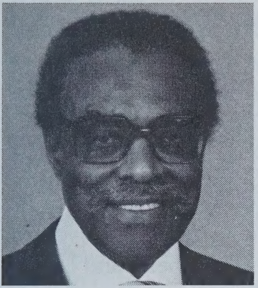
Sanctions do not amount to political principles. They are practical measures that may or may not achieve their objectives.

I seek the same objectives as those who impose sanctions seek. Whether we oppose sanctions, or whether we encourage sanctions, should make no difference when it comes to offsetting the price the poorest of the poor have to pay because of sanctions. It is now recognised both in North America and Europe that sanctions package deals have to be balanced with greatly stepped-up humanitarian aid to the victims of apartheid. Now that we live in a post-sanctions era, let us do whatever can be done to minimise the price the victims of apartheid will have to pay. That in itself will make a contribution to balancing the South African scales of violence and non-violence.

Western governments have put pressure on Pretoria because they want Pretoria to negotiate with blacks about the future of the country. The West accepts that this is the best way of bringing about progress towards a just society. The West also accepts that, outside of revolutionary change, the South African government must be involved in negotiations. There will either be a new constitution because it is a negotiated constitution between black and white, or there will be a new constitution because it is thrust on South Africa by victorious revolutionaries. This is a very hard bit of reality that I have had to swallow as a black South African. It is a bitter reality so many find so difficult to swallow.

Protest politics so frequently is the politics of confrontation and non-involvement that precludes negotiations with government. As violence spirals upwards, strident demands grow and the radicalisation that takes place, swells the ranks of those who refuse to negotiate with the South African government. In this way, South Africa moves inexorably towards a revolutionary future. We either negotiate or we revolt. There are no alternatives. The West wants us in fact to negotiate and I ask the West to be evermore deeply conscious of the need to strengthen the politics of negotiation and not merely to strengthen protest and to register protest themselves.

The State President, Pieter Botha, will have to negotiate one of these days because he has no alternative, other than the alternative of fighting a racist war in a situation in which scorched-earth policies will meet with scorched-earth policies to lay bare the land and make it not only ungovernable for the present government, but ungovernable for future governments of whatever kind.



December 11, 1986

The Hon. Lincoln M. Alexander,

P.C., Q.C., K. St. J., B.A.
Lieutenant Governor of Ontario

CHRISTMAS LUNCHEON

Season's Greetings from The Lieutenant Governor
and
Special Performance by Yorkwood Elementary School Galaxy Band. Cyril Raymond, Concert Master, assisted by Cinda Raymond; courtesy of David McGhee, Principal, Yorkwood Elementary School

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Chairman: **Nona Macdonald**
President

Introduction:

The Hon. Lincoln Alexander is a native of Hamilton, Ontario, a graduate of McMaster University and of Osgoode Hall Law School. He was elected to the House of Commons in 1968 and became Minister of Labour in 1979. Prior to his current appointment, he was Chairman of the Ontario Worker's Compensation Board.

One of his hobbies is music and I note that he was an honourary patron of the Kiwanis Music Festival. As you may know, Your Honour, our young guests are winners of a Kiwanis Music Festival Award—and I'm sure that they, like all of us, are eager to hear you, our emissary from Her Majesty the Queen, at this special Christmas luncheon.

The Hon. Lincoln Alexander

When I see those steel drums up there, I know we are going to move and shake and "do our thing" eventually. You look beautiful.

Ladies and gentlemen, you are now looking at what Ontario is all about: you are looking at the future and it is so nice that we can have them here, in order that we can applaud their accomplishments. As Her Majesty's Representative in and for the Province of Ontario, I want to let you know that one of the things I said I would do when I became Lieutenant Governor, was to support our youth and to encourage them, and I guess because of my limited time I can only tell you two or three things:

Life is not fair, you are going to have to work very, very hard. I would like you to think that drinking of alcohol and getting involved with drugs are complete no-no's. You are too beautiful to become destroyed in such a way.

You can look at me—I became Lieutenant Governor of the Province of Ontario which, in effect, means that any one of you with hard work can stand here one of these days. I wish each and every one of you success.

Madame President, I feel warm today. I was listening to the crowd murmuring with the joy, the happiness that the festive season is about to bring to us.

It is a very important function I have at this particular time of year to come before one of Her Majesty's Loyal Societies in order to commend you and thank you for your dedication and for your support, for your love for the Crown and, in particular, for Her Gracious Majesty.

You know, when I thought of the notice that you sent out. It said: "Plum Pudding, Turkey, Christmas Carols" and I said to myself: "Yes this is what Christmas is all about: the family ties, the love for family, loved ones around you, smiling faces, joy, happiness, exchange of gifts, yes, that is what Christmas is all about really." But then it goes further than that, and I let you join with me when I say that we have at this particular time to realize we have to think of others. We have to maintain and nurture that feeling of goodwill, it is so important. Particularly when we look across this province, this nation, the world.

Where is the goodwill? Well, it is up to us, we can take that small step. We have to have faith in the future, I think we have to pray. Even though we know what Christmas is all about, sometimes we forget it.

We forget what Christmas is all about, it's love as I understand it. You have to have a prayer for those who are less fortunate, not everybody is going to have turkey, plum pudding and Christmas carols.

Read the local paper. Have we got room in our hearts to love, to care and to share; love, care and share. You look like a pretty high-profile crowd today. Have you done your duty this Christmas or will you be doing your duty? You know what I am talking about. The Governor is not supposed to talk about money but I am being very serious.

When you are with your family, think of others who are less fortunate and, before the Christmas season hits us with a bang, do your bit.

And what about a prayer for peace? Renewed hope for peace, tolerance, these are all things that we can think about while we are enjoying the love, respect, and warmth of our family. I am so delighted and very privileged that once every year I get the opportunity to bring sincerest holiday greetings on behalf of Her Gracious Majesty and I want to thank you, Madame President, for this wonderful attendance that you may continue to inspire.

Nona Macdonald

Thank you, Your Honour. That was a message we all shall cherish.

Christmastime and children go together. Today we are celebrating our annual festive luncheon with a unique group of entertainers—steel drummers, ages seven to fifteen. In a way, they are children of The Empire in that many of their forebears come from Commonwealth countries—once The Empire—and their concert master Cyril Raymond is from Jamaica. His daughter Cinda assists him with the Galaxy Band, which is the pride and joy of Yorkwoods Elementary

School, and winner of a 1984 Kiwanis Musical Festival Award. But on with the show, Mr. Raymond. Let us begin with *Amazing Grace.*

Musical Programme and Sing along

Amazing Grace
Silent Night
O Come All Ye Faithful
Jingle Bells
Here Comes Santa
Greensleeves

Col. Robert Hilborn, a Past President of The Empire Club of Canada, and President of the Empire Club Foundation, expressed the meeting's appreciation to the musicmakers.

Col. Robert Hilborn:

Before I thank The Galaxy Band on your behalf, let me say first today on the occasion of our annual festive Christmas luncheon, that it's a great privilege and a great honour as President of The Empire Club Foundation to express on behalf of all of you our appreciation for the efforts of those who have inspired, guided and directed the activities of our Club during the year, culminating in this great family occasion.

Under the outstanding leadership being given to our Club by our President, Nona Macdonald and her Directors, you have continued to attract speakers of stature and members of intelligence, recognizing Oliver Wendell Holmes' dictum that it is province of knowledge to speak and the privilege of wisdom to listen.

Nona, you have kept our traditions not only alive, but as witnessed today, lively, and we thank you for this traditionally sumptuous Christmas luncheon and the usual high standard of the Royal York Hotel, coupled with of course the exciting and talented steel drummers of Yorkwoods School.

You continue to emphasize that we are not a club as other clubs are, but a forum that is both a tradition and a symbol of free speech.

But like all symbols, we have a duty to promote and maintain cultural memory, and, since 1903, our Club's unique Yearbook has recorded annually the speeches given to the Club and has been distributed without charge to some four thousand educational libraries in Canada. The Empire Club Foundation, a registered charitable foundation, has as its principal object, the publishing and distribution of the Yearbook and we are indebted to our patrons, our benefactors and our donors for their generous annual contributions that enable us to fulfill our mandate.

I wish to express our deep appreciation to Harry Seymour and to applaud the imagination and effectiveness with which he discharged the demanding responsibilities of President in the year just passed. It was a banner year complete with a range of exciting meetings and special events and all of this is recorded for posterity in the forthcoming Yearbook soon to be mailed to all of our members and libraries across the land.

And again today we are greatly honoured by the presence of our Honourary Vice-President, The Queen's Representative for the Province of Ontario, the Honourable Lincoln Alexander. We thank you, Sir, for the greeting you brought us from Her Majesty and for your very warm and very persuasive message of hope and cheer. You, Sir, bring a dedication to your role that is an inspiration to all of us as you take the Crown and all of the values and hopes it represents to all of the people of Ontario.

Finally, but primarily, I extend on behalf of all of us here our sincere and grateful thanks to the Yorkwoods Galaxy Band. We congratulate you and your accomplished concertmaster, Cyril Raymond, on a great show and thank you for performing for us today. You send us from here with happy hearts, I am sure full of the true spirit of a blessed Christmas, a spirit of comfort and joy. By way of a tangible expression, I would ask the Yorkwoods School principal, David McGhee, to accept a token of our appreciation—it is a cheque for $350 to purchase another steel drum.

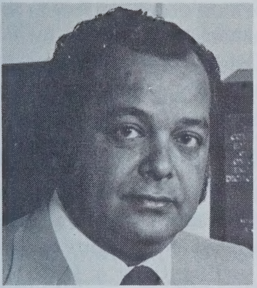
Mr. David McGhee, principal of Yorkwoods Elementary School, expressed appreciation on heaIf of the school and of North York Board of Education.

Nona Macdonald

Thank you, Col. Hilborn, and thanks to The Foundation and to Yorkwoods School. In addition to the appreciations already noted during the head table introductions, I would like to express a yearend appreciation to our own Club. To Past Presidents and Directors for their work during this fall term; to William Whiteacre for chairing the committee that creates this happy occasion; and to our reception committee chairmen, Bud Hoffman and Dr. Clarence Crummey, and their dedicated workers.

To our administrator Anne Lato, without whom there would be no Empire Club events, and her part-time assistant, Karen Sonderskov.

And finally to all of you, our members and their friends—may you continue to enjoy The Empire Club. Our 1987 year will begin on January 15 when the Hon. Perrin Beatty, Minister of Defence for Canada, visits us. On behalf of the officers of the Club, may I wish you all the blessings of the season and a joyful New Year. Happy holidays, everyone!



January 12, 1987
A joint meeting of
The Empire Club of Canada
with The Royal
Commonwealth Society

Sir Shridath Ramphal, O.C., A.C., C.M.G., Q.C., F.R.S.A.

Secretary-General of the Commonwealth

"EMPIRES OF THE MIND: CANADA AND THE COMMONWEALTH"

Chairman: **Nona Macdonald**
President
The Empire Club of Canada

Introduction:

Today I have the honour to host this joint meeting with the Royal Commonwealth Society—a mutual honour for all of us as we begin the New Year—with a most special guest who is an architect in international relations. "The world is a better place because of Canada," said Shridath Ramphal when he inaugurated the Paul Martin Chair at the University of Windsor in 1985.

In like manner, many would say "the world is a better place because of Shridath Surendranath Ramphal, who has been Secretary-General of the Commonwealth since 1975. Membership in the Commonwealth then was 34 countries; today it numbers 49, with the Queen as its sovereign head. Its Secretary-General is considered one of the best connected and most knowledgeable observers of world affairs.

He was born of East Indian parents in British Guyana. His great-grandmother was an indentured labourer on a sugar plantation, but, as the West Indies grew in independence, so did the Ramphals. "Sonny," his nickname from childhood, became an academic prizewinner; and with a master's degree in law from London University and a Guggenheim fellowship at Harvard Law School, he returned to British Guyana where he became

Solicitor General. Later, when Guyana became independent, he rose to be both Minister of State for Foreign Affairs and Minister of Justice.

He headed Guyana's U.N. delegation from 1967 to 1974, and was twice elected vice-president of the United Nations General Assembly.

Within the Commonwealth, he was always a leader, attending each Commonwealth summit between 1966 and 1975, when he succeeded Canada's Arnold Smith as Secretary-General. Guyana, which lies between the Caribbean and South America, is the place where Dr. Ramphal hopes he will be able to bring together and strengthen the links between Latin America and the West, and he has been recognized for his efforts by the bestowals of the Order of the Sun by Peru and the Order of Merit by Ecuador. He was knighted by Queen Elizabeth in 1970 and received his own country's highest honour, The Order of Excellence, in 1983.

His fellowships are numerous, including that of the Royal Society of the Arts. He holds 14 honorary degrees, from universities in the United Kingdom and the United States and Canada, including one from Canada's St. Francis Xavier University in Antigonish, Nova Scotia.

His major speeches are published in a book *One World to Share,* and today's speech titled "Empires of the Mind: Canada and the Commonwealth" will be recorded in the 1986/87 Empire Club yearbook.

Dr. Ramphal travels constantly. We are fortunate to have him accept our invitation as he is en route to Ottawa and thence to India where he will deliver the Indira Ghandi Memorial Lecture a week from today. But, in addition to spending time with his wife and two sons and two daughters, he takes time for his hobbies, which are photography and cooking. But now it is time for us to hear from the "master chef" of the Commonwealth: Sir Shridath Ramphal.

Sir Shridath Ramphal

I am told on good authority that The Empire Club's name in no way implies veneration of things imperial. Like the Commonwealth, this Club did emerge from 'empire' and, like the Commonwealth, does not disown those beginnings; but both, like the butterfly, adorn the present because of a past transformed. It could not be otherwise.

But 'empire' has another connotation that belongs to all time: the connotation of worthy ambition—ambition not for dominion over others but for outreach towards them. The modern Commonwealth did not emerge from empire until after 1945; the postwar era was also the era of decolonisation. But the process of evolution from empire had been under way for some time, with Canada taking the lead throughout the 1930s. Wartime realities merely quickened the pace; even so, it was truly remarkable how the trauma of that terrible conflict served to make the patterns of the future clear.

On September 6, 1943, World War II was at its apogee when Winston Churchill, receiving an Honorary Degree from Harvard University, spoke of his vision of the future beyond the conflict. His theme was Anglo-American unity; but the wider Commonwealth connection—"the British Commonwealth and Empire" he still called it—was central to his conception of "fraternal association." He spoke of the shared heritage of law, language and literature, of common conceptions of what is right and decent—regard for fair play especially to the weak and poor, a sentiment for impartial justice, a love of personal freedom. "Let us go forward," he concluded in words that have passed into legend: "in malice to none and good will to all. Such plans offer far better prizes than taking away other people's provinces or lands or grinding them down in exploitation. The empires of the future are the empires of the mind."

Churchill was a man of empire but his internationalism, shaped by his long crusade against the weakness of the League of Nations and the conflict he saw looming, overrode imperialist ambition. In fact, he had promoted in the 1930s the most farreaching proposals for international collective security, which he conceptualised as a new Commonwealth of Nations. As we think of the Commonwealth today, it is both intriguing and instructive to recall this yearning for a true comingling of mankind, a global Commonwealth in the broadest sense, that Churchill shared in the 1930s with many eminent men and women. Churchill was President of the British Commonwealth Section of the New Commonwealth Society of the 1930s, one of seventeen national sections of a vigorous international grouping, a coalition of countries in the making.

When, in the Harvard speech in 1943, Churchill spoke of the need for more efficient, more rigorous, world institutions to preserve peace and forestall the causes of future wars, he was responding to the compulsions of internationalism that had long inspired him.

Distinguished Englishmen were early members of the New Commonwealth Society: Lord Tweedsmuir, Clement Attlee and Harold Macmillan.

Predictably, many Canadians were associated with the work or aims of the Society, sharing almost naturally in its yearnings for a new internationalism. Names like Herbert Bruce, R.M. Coates, George M. Wrong and Escott Reid crop up in the Society's records.

Almost a year ago, at the start of the International Year of Peace, which Canada helped the United Nations to declare 1986 to be, the Secretary of State for External Affairs, Joe Clark, speaking in Ottawa, said that "for Canadians, no duty is more challenging than to contribute constructively to peace among nations."

He was acknowledging what the world has long recognised, namely, that the Canadian instinct for peace through international co-operation and for freedom and justice worldwide has evolved into a national ethic, making Canada (without seeking it) a trustee of true internationalism.

Today, the world is a better place because of Canada. There is no higher tribute to be paid; and, though such accolades may embarrass you, it is right that I should speak of them, for the Commonwealth is specially proud of Canada. When Commonwealth leaders come to Canada next October, they will, in part, be coming in honour to you.

Today, it is fair to say, the postwar Commonwealth both fulfills and keeps alive the aspirations for a genuine internationalism towards which the New Commonwealth Society was reaching in the 1930s—a period that in so many ways holds up a mirror to the 1980s. For me, that reinforces the conviction that our modern Commonwealth now fills a crucial need—and might, indeed, be longed for had it not evolved. That evolution, as Her Majesty the Queen, in her Christmas broadcast as the Head of the Commonwealth, said two years ago, "has been one of the most encouraging developments since the war."

I have recalled all this for two reasons. The first is that we are in danger of taking the Commonwealth for granted, of losing sight of the rare value of what we have, of allowing occasional discords to blunt awareness that the Commonwealth's variety is its strength, of ceasing to be sensitive to the need to care continuously for the Commonwealth. The second reason is that being true to its heritage of internationalism has brought the Commonwealth itself under attack from some who see it as a deterrent to their narrow plans and prejudices, and we need to defend the Commonwealth.

It bears repeating, therefore, what we are today: a community of 49 countries held together by the intangible quality of a sense of togetherness. Not togetherness in alliance terms, or even in overall like-minded terms, but one that draws on history and habit, familiarity and shared endeavour. A relationship rooted more in intuition than in logic and sustained not by great expectations but by modest achievements. A community whose variety is now so great that it is a major element of its validity, bringing together countries who play prominent roles in NATO on the one hand and the Non-Aligned Movement on the other; in OECD and the Group of 77, some of whom are rich and others very poor, some large and others very small, some strong in military and economic terms, others weak and vulnerable in almost every sense.

"A facility for harmonising differences, even contrariness, within the framework of community" might be a functional definition of the Commonwealth. But the emphasis is on the capacity to harmonise. It is that capacity for bridge-building, perhaps more than any other, that gives the Commonwealth a vast potential for the future. The difference, the contrariness even, which is within the Commonwealth, is what is within the world. A Commonwealth capacity for harmonisation is a matter of consequence to the whole international community. It is a high duty, therefore, this preserving and strengthening of the Commonwealth. It is a great service that the Commonwealth can render. It may be only the Commonwealth that can render it.

It is the case also that the world is now aware of the Commonwealth facility and welcomes its endeavours to fulfill its potential. Indeed, in many areas, a frustrated world is looking to us for a lead. Just recently, the West German President, Dr. Richard Von Weizsacker, on a state visit to Britain, said this about the Commonwealth:

> The Commonwealth is not against anyone; it is a source of common sense in the world where that quality is sadly lacking. It cannot negotiate on behalf of the world, but it can caution the world and help it to negotiate. The more the Commonwealth preserves its coherence across the oceans and continents, the better for all—including my own country.

But not everyone desires the Commonwealth to preserve its coherence across the oceans and the continents—at least not on all issues. There are some who are less solicitous for its future than the German President. And, not for the first time in the history of the Commonwealth, this hostility has to do with South Africa—more specifically, with the Commonwealth's stand against apartheid. If we are to defend the Commonwealth against this assault upon it, we need to be clear about that stand and what the critics stand for. There is particular need for clarity, since obfuscation is the hallmark of apartheid's grand design.

I need hardly explain to this audience why apartheid so affronts the Commonwealth as to be a major preoccupation. But some things deserve restating. The Commonwealth represents the supremacy of community over separateness. It is the negation of both dominion and racism.

Apartheid is the embodiment of both. Minority white domination in South Africa is sustained by doctrines of racial superiority and systems designed to both reflect and entrench racial inequality. Apartheid is the very antithesis of the Commonwealth's most fundamental values; as such, it poses an inescapable challenge to our governments and peoples.

It is a particular affront to the Commonwealth's nonwhite peoples and, more pointedly, its neighbouring black Southern Africa states. But it is no less of an affront to decent people everywhere, regardless of colour: to white people, no less than black, who resent what apartheid seeks to do through a racist philosophy that wrongly implicates them.

Throughout the countries of the Commonwealth, therefore, whether their majority populations are black, brown or white, or are themselves so multiracial as to defy classification by colour, apartheid stirs deep passions. In the collectivity of the Commonwealth, those passions are multiplied. That is why in 1961 South Africa had to leave the Commonwealth—a courageous and principled Commonwealth decision in which a great Canadian Prime Minister, John Diefenbaker, played a prominent part. Twenty-five years ago, a generation of Commonwealth leaders concluded that apartheid was not compatible with Commonwealth membership. It cannot today be compatible with Commonwealth acquiescence. The Commonwealth's response to apartheid is not merely a Commonwealth position on a serious issue on the global agenda; it is a statement about the Commonwealth itself.

During 1986 the Commonwealth was obliged to underline that statement in a variety of ways; but two responses in particular have made the Commonwealth the focus of Pretoria's wrath and the target of its friends. Both, predictably, were major contributions to the anti-apartheid struggle. The first was the Commonwealth's Mission of Eminent Persons to South Africa; the second was the London Review Meeting of seven Heads of Government, to which the Mission's report was addressed. I should say a brief word about each.

The Eminent Persons Group, "the EPG" as it came to be known, was one of the approaches to conflict resolution that only the Commonwealth could have pursued. The EPG's mission was to try to facilitate the process of change through peaceful negotiation within South Africa.

It was by far the hardest task the Commonwealth collectively had ever undertaken. But our strengths were real and, as so often before, they derived from the people on whom the Commonwealth can draw. I pay tribute to the members of the Group for their courage in undertaking the mission and for the integrity with which they carried it out. I pay particular tribute here to the Reverend Ted Scott, the now-retired Anglican Archbishop of Canada, for the quality of his personal contribution and the immense dedication which he brought to it.

And I acknowledge here in Toronto what I have long ago conveyed to your Prime Minister, namely, the gratitude of the Commonwealth for the very special and quite invaluable assistance that the Government of Canada rendered to the mission in a wide variety of ways—assistance rooted in Canada's commitment to this enterprise of peace and justice in Southern Africa.

The result was an historic encounter. The Group held 21 meetings with South African government ministers. It met three times with Nelson Mandela in the precincts of Pollsmoor Prison. It met all the principal political actors within South Africa. It met the ANC in Lusaka, leaders of most of the Front-Line States, and it canvassed opinion extensively in Europe and in Washington. It was the only body to have done so, the only body that could have done so. Its "negotiating concept" was designed to provide a basis for an end to violence on all sides: the violence of apartheid itself and the violence that was not the response of its victims to it.

In that context, its proposals envisaged, besides a commitment to the ending of apartheid, the establishment of political freedom, with the ending of the emergency, the release of Mandela and other political prisoners, and the unbanning of the ANC and other political parties. In an environment of a truce, it offered a pathway to peaceful negotiation for ending apartheid and establishing democratic structures in a united and nonfragmented South Africa. For a brief moment that negotiating concept was a lantern of hope piercing the gloom of South Africa. The light was snuffed out by Pretoria—almost as if it felt too exposed by the prospect of change and preferred the undisturbed darkness of apartheid.

The report of the EPG is the most authentic and authoritative account of present-day South Africa. It will be to the eternal credit of the Commonwealth that the Group both dared to try to promote change in South Africa and to tell why it was thwarted. The clearest conclusion of the Group was that "at present there is no genuine intention on the part of the South African government to dismantle apartheid" and "no present prospect of a process of dialogue leading to the establishment of a nonracial and representative government."

To this extent, the EPG did not fail; it succeeded in blowing away the smoke-screen that Pretoria had put up and behind which its apologists sheltered with talk of "reform." Its imperishable contribution is that the majority people of South Africa who stand against apartheid—black, brown, coloured or white—understand very clearly that the Commonwealth is on their side. One day, when apartheid is ended and a free South Africa is welcomed back to the Commonwealth—which, in a sense, (as Oliver Tambo said at the Royal Commonwealth Society in London last September) "black South Africa never really left"—the mission of the EPG will be recalled as one of the critical turning points in the struggle to end it and we will all be proud it was a Commonwealth mission.

The EPG Report was, of course, the principal document before the meeting of Commonwealth leaders in London last August—"the mini-summit" I fear it is destined to be called—a meeting between the President of Zambia and the Prime Ministers of Australia, the Bahamas, Britain, Canada, India and Zimbabwe. These seven had been invited by their colleagues at Nassau to make a judgement whether, after six months of trying to advance the process of dialogue for change, there had been adequate progress in South Africa and, if not, to consider what further measures beyond those agreed to at Nassau should be adopted.

In the result, London saw the end of any "no sanctions" policy within the Commonwealth. The remaining difference was not over whether there should be sanctions; it was essentially on what sanctions should be applied. I do not pretend that it was a small difference; but we must not ignore that, on 15 of the 17 paragraphs of the London Communique, there was agreement among all seven leaders—agreement now endorsed by all Commonwealth governments. And all seven leaders went beyond immediate action: they reaffirmed the seriousness of their resolve that, should the action taken to date fail to produce the desired effect within a reasonable period, further effective measures will have to be considered.

Most important of all was the fact that the Commonwealth did not divide on lines of colour. It will be forever to the credit of Canada and Australia, of Brian Mulroney and Bob Hawke, that, when the Commonwealth was at the crossroads on apartheid, they stood shoulder to shoulder with their non-white colleagues.

The London meeting was an essential catalyst in the international sanctions programme. Within days, the United States Senate Foreign Relations Committee adopted a sanctions measure closely on the lines of the Commonwealth list; it is now law in the United States. The world had begun to respond to the pleas of the oppressed in South Africa with economic sanctions being put into place with increasing conviction worldwide.

And not only national governments are taking action. Over 65 American cities and 21 states have undertaken disinvestment in South Africa. Some $30 billion worth of pension funds investment are up for imminent withdrawal, and more and more corporate disinvestment is becoming real disengagement from the South African economy.

All this has invited the implacable anger of Pretoria and of the South African lobby—the friends and supporters of Pretoria. That lobby operates in many centres, not excluding Canada, though it seldom operates overtly. Its particular hostility to the Commonwealth is a measure of the Commonwealth's achievement in the anti-apartheid cause. It was Sir John A. Macdonald (Canada's first Prime Minister) who said, "It is more important to choose your enemies than your friends."

In choosing to stand against apartheid, the Commonwealth inevitably makes an enemy of those who are appeasers of apartheid.

The basis of this solidarity with Pretoria ranges from shared racist sentiment at one extreme to an amoral calculation of short-run material interest at the other. The one is evil, the other blind; sometimes the two combine. Often, the voice of appeasement resonates the theme, extensively and expensively cultivated by Pretoria, that South Africa, apartheid notwithstanding, is the bastion of the free world in Africa.

It is a theme like so much in apartheid South Africa that turns truth upon its head; apartheid and freedom can never be compatible. The "free world" has no greater enemy in Africa today than the apartheid system.

And there will be other attempts at distortion and deception—like the proposed election for whites only, on the basis of which Pretoria will venture to imply that the destiny of the majority nonwhite population should turn. Mr. Botha himself started down this path the very first day of the New Year. Sanctions, he announced, will help those opposed to democracy but it is he and the apartheid system that oppose democracy. Sanctions will lead, he claimed, to a totalitarian regime, but that is precisely what now exists. This is the "double-speak" of apartheid. It must not become the "double-think" of decent people the world over. Pretoria needs to be told unequivocally that these subterfuges just will not do.

And there is more afoot. It is very close to a war situation in Southern Africa. As Pretoria continues to resort to aggression and inhumanities beyond its borders, the obligation on the international community to defend the extended family of apartheid's victims in Southern Africa is becoming irresistible. It is a massive humanitarian obligation to which all the world must respond in appropriate ways and without delay—a response in which, I am sure, the Commonwealth will play its full part.

It will mean more denigration of the Commonwealth from the South Africa lobby, more defamation of countries and of individuals. But the Commonwealth knows, and all within it know, that these are as nothing compared with the burden that those oppressed by apartheid bear and that gives us all strength to sustain the Commonwealth on the path of principle. Let us not be faint-hearted, therefore, in the face of these assaults.

The Commonwealth is alive and well, vital and vigorous, and never more acknowledged and respected in the wider world beyond its membership.

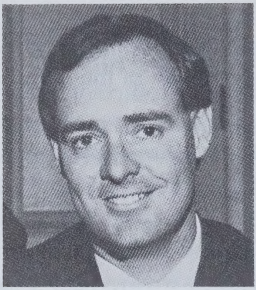
It is not going to please all of its constituents all of the time: it did not please President Idi Amin when it spoke out against his horrors in Uganda; it did not please some Caribbean countries in its stand on military intervention in Grenada; it does not now please those who would wish it to be supine in relation to South Africa. Of course, a worse fate would befall the Commonwealth were it not to remain true to itself, even if that means occasional disagreement.

There was another time when a great moral issue challenged humanity. It was fought out, as it had to be, at Westminster. There were those then, calling themselves "the West Indians at Westminster," who argued fiercely against the abolition of slavery on the grounds that it would hurt Britain's economic interests and, of course, their own economic fortunes in particular. They sometimes even argued that it would hurt the slaves themselves. But Wilberforce and the abolitionists won the day, and it remains to Britain's eternal credit that, in the end, despite the past, it led the world in a great crusade to end the abomination of slavery. That victory of the abolitionists, that victory for principle, is part of the Commonwealth's moral heritage. That is why Wilberforce lies buried in Westminster Abbey. It is no different now.

Let us go forward then, as Churchill urged at Harvard, "in malice to none and good will to all," and in the knowledge and with the encouragement that Canada's role will be of great import—in the Commonwealth, in NATO, as one of the Group of 7 industrial countries. Most of all, though, as Canada—the

Canada I spoke of earlier that makes the world a better place by being Canada—Canada that understands intuitively why "the empires of the future must be the empires of the mind."

The appreciation of the meeting was expressed by M.Gen. Bruce Legge, a Past President of The Empire Club of Canada and National Chairman of The Royal Commonwealth Society.



January 15, 1987

The Honourable Perrin Beatty, P.C., M.P.

Minister of Defence

"NUCLEAR WEAPONS AND NUCLEAR ARMS CONTROL: CANADA AND THE WESTERN ALLIANCE IN 1987"

Chairman: **Nona Macdonald**
President

Introduction:

Welcome again, Mr. Minister, to our podium. Last year you spoke to us as Solicitor General of Canada, and today, as Minister of Defence you will bring us up to date on this most important concern.

Perrin Beatty is Toronto-born and, as an alumnus of Upper Canada College, he is one of the many distinguished graduates to celebrate his school's Army Cadet Corps centenary this year. In 1971 he received his B.A. degree from the University of Western Ontario, where he first became involved in the Progressive Conservatives as Secretary-Treasurer of the Ontario PC Students' Association.

He moved briefly into provincial politics as special assistant to Ontario's Minister of Health, The Honourable Bert Lawrence, but was elected to the House of Commons in 1972. Seven years later marked his first Cabinet appointment as Minister of State for the Treasury Board. After that obviously, cabinet posts came easily: in 1974, he became Minister of National Revenue and Minister responsible for Canada Post Corporation, followed by the Solicitor Generalship and now Defence.

Between these posts, he maintained leadership positions with Conservatives during the Liberal Party governance and after its defeat in 1983.

Included in his areas of responsibilities have been: Communications, the Canadian Constitution, Revenue Canada, and Federal Provincial Relations. And now he chairs the Commonwealth Delegated Legislation Committee as well as heading National Defence.

Ladies and gentlemen, the Member of Parliament for Wellington-Dufferin-Simcoe, The Honourable Perrin Beatty, Minister of National Defence:

Honourable Perrin Beatty:

It is just about a year ago that I had the pleasure of addressing The Empire Club. I was at that time serving as the Solicitor General. As you know, I've had a hard time holding a job and I assumed the defence portfolio last summer.

In the past few months, I have consulted widely, both at home and abroad with our allies. We have been looking at a range of major defence policy issues that must be dealt with in the forthcoming defence White Paper. I am delighted to have the opportunity to discuss with this distinguished group one of the more difficult of these—nuclear policy.

Nuclear arms and nuclear arms control are always high on the public agenda, but they have been attracting even wider attention of late, particularly in the aftermath of the meeting between President Reagan and General Secretary Gorbachev in Reykjavik. They are among the most fundamental issues of our time, for they tap the wellsprings of our hopes and fears for the very survival of civilised life on this planet.

An article in *The Economist* magazine last year called this the era of "The Long Nuclear Peace." Indeed, nuclear deterrence, in part, has helped over the past forty-two years to preserve peace among the nuclear weapons states and between the Alliances to which they belong. Nevertheless, the destructive power of nuclear weapons that makes them effective as a deterrent is so awesome that we cannot help but feel uneasy about a peace that is so reliant upon them. I feel I have an obligation to state clearly where I stand on the questions of nuclear weapons and arms control.

Let me start by situating the defence of Canada in the context of the collective arrangements by which we and our allies have sought to assure our mutual security. Canada has freely chosen to combine with other like-minded democracies in collective security arrangements in the unshakable belief that it is through collective defence undertakings that our protection is best assured. Just over a year ago, Prime Minister Brian Mulroney said to the Consultative Group on Disarmament and Arms Control:

> We are a member of the Western Alliance and we are members out of choice, not circumstances. It is an Alliance which requires military commitment and political solidarity, yet it is also an Alliance which relies on consultation and consensus.

Successive governments of Canada have recognized that our security is enhanced when the defence challenge is shared with our partners: this is as true today as in the past.

Deterring aggression, or intimidation through threat of aggression, requires forces with sufficiently credible capabilities to dissuade a potential enemy. The massive Warsaw Pact conventional and nuclear capabilities in Europe poses a real threat to the Democratic values enjoyed by our European partners. Canada shares with its allies in the West a commitment to these values. Preserving them cannot be taken for granted. They must be actively defended.

Canada would not survive as the sort of country we all wish it to be, if democracy among our traditional allies were lost. A threat to the other Western democracies threatens us here in Canada as well.

We are not in NATO and in Europe today simply out of a spirit of altruism. We are there because our interests as a nation require us to be there and because the loss of a free Europe would be a grave blow to our ability to maintain our democratic freedoms here in Canada. There can be no doubt that the defence of Western Europe continues to be critical to the defence of the Canada we wish to preserve.

The direct threat to Canadian territory is posed currently by Soviet long-range nuclear missile, bomber and submarine forces based in the Soviet Union. Since our geography uniquely situates us between the two nuclear superpowers, we could not remain unaffected by Soviet aggression against the United States. Opting out is not possible, nor would it be consistent with our proud history, our beliefs and our responsibilities as a democratic and sovereign nation.

Bearing in mind our geographic location, I do not believe that a neutral cordon around Canada would make us safer or improve the global situation by the example it would set. Even if we could afford it, the cost for Canada of going it alone would be very much greater, with no assurance that we would be any more secure. Arguably, we could end up being much less so. In any case, how could we hope to enforce Canadian neutrality or even verify that it was being respected?

To opt out would be to give up the collective development of all security measures, which include arms control, in the North Atlantic Alliance. A disarmed or neutral Canada would not have become part of the process of security and cooperation building in Europe begun with the Helsinki Final Act of 1975. We could not then have contributed to the success of the Stockholm Conference, nor have a seat at the table of the current Vienna meeting continuing the Helsinki Process. We could not have become participants in European conventional arms control negotiations, and could not be part of allied consultations on nuclear arms control.

Would the declaration of Canada as a nuclear weapons-free zone make Canadians safer? Unfortunately, such a unilateral act does not provide the security its advocates suggest. A nation of nuclear-free zones is not a nuclear weapons-safe nation. Such a declaration would not by itself eliminate a single nuclear weapon or reduce the differences that divide East and West. Indeed, as the *Toronto Sun* observed, "it serves more to comfort our enemies and confound our allies." I do not believe that any worthy aim would be achieved by divorcing Canada from weapons and policies that, despite our action, would continue to provide security to Canadians. Along with all our NATO partners, we have rejected this course as illusory.

Many of you have noted editorials in Toronto newspapers in recent months on this subject. The *Toronto Star* for example stated:

"As long as we remain members of the North Atlantic Treaty Organization (NATO) and the North American Aerospace Defence Command (NORAD), which shelter us and our allies under the American nuclear umbrella, it's surely hypocritical to say we want neither truck nor trade with nuclear business at home."

A related notion proposes the demilitarisation of the Arctic. The fact to bear in mind here, however, is that North America is already threatened by Arctic-based forces from the other side of the Pole. The greatest single concentration of naval and naval air forces in the world, as well as missile forces, is located on the Kola Peninsula, almost entirely within the Arctic Circle. Would the Soviet Union eliminate this bastion?

In an ideal world, nations would not resort to arms to settle disputes. In the real world, however, the best we can do for the time being is to work to limit militarisation while we pursue those goals that will bring demilitarisation closer.

While many Canadians reject out of hand neutrality or non-alignment, unilateral disarmament, or arbitrarily defined nuclear weapons-free zones, they are troubled by our reliance on nuclear deterrence to prevent war or the threat of war.

This, of course, is an enormously complex issue that is made more so by a veritable alphabet soup of acronyms. It is all too easy to get one's ABMS mixed up with CBMS. We talk about "ALCAMS, GLICKAMS, and SLICKAMS"; (ALCMS, and GLCMS and SCLMS); there is SALT and START, and most unsettling of all, something known as MAD (Mutual Assured Destruction). These are not the words or language of everyday life for most of us. However, to the extent that nuclear arms and strategic concepts seem mysterious, they engender even more confusion, suspicion and fear.

As you know, Canada has no nuclear weapons and no nuclear roles. Nevertheless, along with our allies, we rely on nuclear weapons to deter war.

The NATO strategy seeks, by maintaining credible forces, to prevent the outbreak of war. Our goal is to convince a potential opponent that the cost of attack simply outweighs any benefits; to convince any aggressor that it simply isn't worth it.

For this posture to be convincing, NATO must maintain effective, modern and survivable forces at all levels. This means that NATO needs a spectrum of capabilities running from conventional, through theatre nuclear to strategic nuclear forces. The goal is to permit flexible options so as to be able to meet aggression, at any level, with the minimum force necessary. Further, NATO must demonstrate its capability and preparedness to use its forces, if necessary, should deterrence fail. NATO's nuclear arsenal thus serves a fundamental political purpose in signalling that aggression would not be tolerated; it would provoke retaliation and unacceptable consequences.

The weapons by themselves are not the major source of tensions, but they can exacerbate them if the strategic balance is disturbed. To offer an adequate defence, NATO does not need to match the other side weapon for weapon. That is why we and our NATO partners are interested in only the minimum forces necessary to deter and defend. It is often forgotten that the United States has long limited the numbers of its own strategic weapons and that rough parity in such weapons now prevails between the U.S. and the Soviet Union.

Let's look at the facts: NATO's nuclear stockpile in Europe has been going down for years. In 1979, when the famous two-track decision was taken, 1,000 warheads were removed. A further 572 warheads are being removed as 572 ground-launched cruise and Pershing II missiles are deployed. In 1983, NATO Ministers, meeting at Montebello, Quebec, decided to reduce, unilaterally, NATO's nuclear stockpile in Europe by a further 1,400. Of course, the residual stockpile must be effective to credibly deter and so improvements and refinements are a necessary part of the process.

There is no doubt, however, that, within our Alliance, there is broad support for maintaining NATO's nuclear capability to offset the Warsaw Pact's superiority in conventional forces and to ensure that the Soviet Union will see no possible advantage in resorting to nuclear weapons in support of aggression.

There are three key ways to reduce the possibility of NATO being drawn into war: First, by improving defences; second, by negotiating balanced arms-reduction agreements; and third, by a combination of the two. Canada contributes both to the effectiveness of the deterrent and to efforts to reduce reliance on nuclear weapons in several ways.

As a contribution to NATO's conventional deterrent, we maintain small but effective land and air forces in Europe and are committed to sending additional forces in times of crisis.

Our maritime forces also make an essential contribution to the Alliance. The present Government has already taken steps to replace the oldest of the current destroyers and to upgrade others. Further, for decades, Canada has contributed facilities for the operational training of Allied land and air forces across our country just as other more densely populated NATO nations do. This is a commitment both to our allies and to Canadian security.

The testing of the unarmed cruise missile over Canadian territory is another contribution; NATO and, therefore Canadian, Security is strengthened by ensuring that all the deterrent forces on which we rely are able to perform the tasks they could be assigned.

Canada's policy of granting access to Canadian ports by Allied naval vessels, some of which may be equipped to carry nuclear munitions, is criticised by those who would ban nuclear weapons from our waters. These ships, while not Canadian, contribute to the defence of Canada within the Alliance.

Since navies must be ready for action at all times, they must load and carry stores and ammunition for all contingencies. Port visits are frequently made on the occasion of exercises during which Allied ships practise combined operations to the mutual benefit of all. They are a normal and necessary ingredient of Canada's membership in an Alliance and of acceptance of the protection offered by collective defence.

So far, my remarks have dealt with the need for Canadians to do our part to deter aggression, but a comprehensive security policy should not rely exclusively on deterrence. Balanced, verifiable and equitable arms control agreements—agreements that enhance security through stability—are a fundamental objective of Canadian policy. Far from seeing defence and arms control as contradicting one another, we believe they should go hand in hand.

You will be familiar with many of the far-reaching proposals discussed at the Reykjavik Summit; the elimination of long-range missiles from Europe, the reduction by fifty percent in strategic offensive forces within five years, and the elimination of all offensive ballistic missiles within ten years. It is highly significant that matters of this import have found their way to the negotiating table.

The implications for NATO and Canada, if such measures are agreed upon and implemented, are enormous. Along with our allies, we would be expected to carry a share of any increase in conventional forces. Any increased reliance on conventional forces to ensure stability would have to be handled carefully. If conventional forces were to carry a greater burden of deterrence, they would cost more than at present, and oblige us to make sacrifices in other areas of domestic expenditure. Conventional arms control negotiations in Europe would take on even greater importance, while at the same time becoming even more difficult because of the conventional imbalance that currently favours the East, and of the East's reluctance to forgo that advantage.

A fifty-percent reduction in strategic offensive arms could make our NORAD forces much more important in relative terms, if such reductions led to increased reliance on bombers and cruise missiles rather than ballistic missiles. It all depends on where the cuts are made. Certainly, we would favour cuts that not only reduce the numbers but, just as important, cuts that reduce the destructive potential of weapons, and enhance strategic stability. If all remaining offensive ballistic missiles were eliminated, then clearly it would put the burden on bombers and cruise missiles, with obvious implications for North American air defence. As this complex transition unfolds, our partnership in NATO provides us with the opportunity to make our views known to the negotiators.

Reductions in nuclear weapons alone are not sufficient to enhance our security. The debate continues to centre on whether it is weapons or people and their political systems that cause conflicts. The truth is it is probably both to some extent. Competition in arms may indeed fuel mistrust, and temporary advantage may encourage adventurism. However, the peaceful resolution of conflicts, and the fostering of mechanisms to bridge the differences that give rise to mistrust and conflict, are absolutely essential if we are to build a better and safer world. If conflicts are to be resolved in non-military ways, then each of us bears a responsibility for encouraging the processes of conflict resolution and peacemaking.

As a responsible citizenry, we must face up to the fact that, in this imperfect world, wars continue to occur and nuclear weapons exist on both sides of the East/West divide. The knowledge of how to make nuclear arms cannot be erased, even if existing stockpiles could be eliminated. Our peace with freedom cannot be taken for granted, but must be vigorously defended. Accordingly, it seems to me that both conventional and nuclear weapons, to deter and defend, are going to be here for some time. Further, nuclear weapons, on which we have relied for more than forty years will continue for the foreseeable future to play a role in maintaining our security.

If it were enough to simply wish for a more peaceful or freer world or if we could believe that all other countries would be prepared to treat Canada as we treat them, there would be no need for Canada to maintain the armed forces or to belong to defensive alliances. Unfortunately, life in 1987 is not so simple. We live in a complex and dangerous world in which those who cannot or who will not defend themselves soon lose their freedoms.

However, to say that we must live in the world as it is and not as we would like it to be is not to suggest that we must be forever shackled by old ideas or old ways of doing things. Far from it. The very nature of the weaponry upon which peace has depended for the past forty years demands that we have both the courage and the vision to look for new solutions, even while we maintain our resolve to defend our nation and our way of life.

While peace at the expense of freedom is hollow, indeed we must also strive for the peace that will allow our children and children throughout the world to exercise their right to be free.

As long as I am Minister of National Defence, that will be my goal: to carry our share of the collective defence burden and to be a strong and resolute ally in the struggle to protect democracy, and to encourage the search for new solutions that can give our children a safer world.

Presentation by Mr. Beatty to Captain Daniel O'Dwyer, commanding officer of The Upper Canada Rifles, Army Cadet Corps.

Mr. Beatty:

As I mentioned earlier in my remarks, I was delighted today to see a contingent here from my old Alma Mater, Upper Canada College. Captain O'Dwyer, I've a presentation to make to you as the representative of the battalion on behalf of the Commander-in-Chief of the Canadian Armed Forces, Her Excellency, Governor General Jeanne Sauve, its patron. I shall read the letter from her:

> "On October 22nd, 1986, your Corps celebrated the 100th anniversary of its formation. The contribution which your Corps has made to the development of youth from the Toronto area over the past one hundred years is most commendable and awards which the Corps has received are achievements of which you can be proud. On this occasion, it is a pleasure to extend my

personal, heartfelt congratulations on past achievements. My best wishes for future endeavours go to the officers, staff, sponsoring committee, the parents who support you so well, and last, but not least, all of your cadets who are the future and hope of this country. Our good wishes go with you for this."

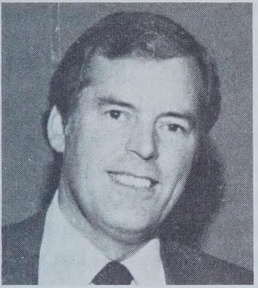
Captain O'Dwyer:

On behalf of the officers and cadets of the Upper Canada College Rifles, I would like to thank you for this most gracious acknowledgment of our service. Please convey to Madam Sauve our deepest appreciation.

Although the Corps now represents only a small proportion of the student population of UCC, I know that I and the other cadets who have participated in its activities have derived great benefit from its fine traditions laid down well over a century ago.

For us, the UCC Rifles continues to play a major part in personal development and hopefully will do so for yet another century. We are proud to be able to number ourselves among those who have gone before, especially you, sir.

The appreciation of the meeting was expressed by M.Gen. Reginald Lewis, C.D., O.C., past President of The Empire Club of Canada.



January 21, 1987
Joint Dinner with
The Canadian Club
of Toronto

The Honourable William Vander Zalm

Premier of British Columbia

"BRITISH COLUMBIA: THE WEST COAST SPEAKS TO CENTRAL AND EASTERN CANADA"

Co-Chairmen: **James K. Warrilow, President**
The Canadian Club of Toronto
Non Macdonald, President
The Empire Club of Canada

James Warrilow:

Relatively unknown on the national scene until last summer, William Vander Zalm swept into prominence and office in British Columbia on a wave of enthusiasm and vitality not seen in Canada for many years. He has been described as a political maverick, like quicksilver, and the most controversial politician in British Columbia, and also as charismatic and populist as well as popular.

Born in Holland, he came to Canada in his early teens and incorporated his first business in horticulture at the age of twenty-one. At thirty, he served as an alderman and then mayor in the Vancouver suburb of Surrey. He joined the Social Credit party in the early 1970s and was elected to the B.C. Legislature in 1975, occupying a number of cabinet posts.

In 1983, William Vander Zalm resigned from provincial politics and returned to private life to successfully run a "Fantasy Garden" theme park and a series of garden supply shops. In August 1986, he succeeded the retiring Bill Bennett and led the Social Credit party to a decisive victory in the October election.

Maclean's magazine has summarised Vander Zalm's style as a heady mix of positive thinking and homespun homily with an open, confident style of government.

Ladies and gentlemen, please join me in welcoming the Premier of British Columbia.

Premier Vander Zalm:

You're a great audience; I'm tremendously impressed. You know, when we come from Vancouver and we receive a full house, it is certainly a great honour and tribute, and I'm very appreciative of so many being here this evening.

I want to begin by saying, also, that I have visited during the last several days New York and Washington, and, of course, these are famous cities, but regardless of where you go or you visit, in Canada or the U.S., everyone certainly raves about Toronto and what a wonderful and beautiful city you have right here.

Having said that, I just phoned home before I came here and I should inform you that the temperature is eight degrees Celsius, which translates into about fifty degrees Fahrenheit, and it's been bright and sunny for the whole of the week, and they tell me that people are already taking to the beaches.

We've had a great deal of excitement during 1986 with Expo. It's been a wonderful year, with twenty-two million visitors.

In October of 1986, I and my government were given a healthy mandate, a mandate best described as a fresh start. British Columbians were extremely concerned with such things as continuing problems in the economy, a bad labour image, a growing feeling of alienation from the rest of Canada, too much confrontation and too much regulation.

My Minister of Labour this very day is travelling throughout British Columbia, seeking input from all of the people, because we have already announced that we will be introducing into the spring session, starting about the first week of March, labour code changes. The changes will be very innovative and respond to what it is the people of our province want. They will provide us with peace in labour, and thus give us an opportunity to deal with labour strife in a way in which we can eliminate the waste and the loss and the suffering that comes on account of walkouts or strikes.

We will be introducing such legislation and the image of being someplace where there is a great deal of labour strife and problems will be gone once and for all, and we will be, as a consequence, getting investment from all over North America and elsewhere in the world, which will lead to further employment opportunities for our people.

There is a great feeling of people working together in British Columbia. Whether in labour, business, government, we are certainly seeing this feeling of wanting to get it together for the common good. This has been helped a great deal by our ability to have settled all of the provincial government labour disputes within about forty-five days of taking office. And they were fair and reasonable settlements.

We have established a powerful privatisation committee with a mandate for real action, as governments are not successful in running businesses.

We have also established a mandate of the Minister's committee along with a good powerful staff group who have been charged with eliminating legislation and regulation. The rule is that, if the courts don't touch it or if the map gets you there, don't change it.

Legislating *per se* is useless. If we can eliminate some of what's already there, we can provide a far better climate for the entrepreneur in our province.

When interviewed in New York, I was asked what people in the financial community perceive as a problem in Canada and particularly in British Columbia. They suggested it was "talk about separatism." Well, I want to assure you there's no talk about separatism.

British Columbians have nothing against the people in Central Canada or in Eastern Canada. We know that, if there is growth and prosperity in your province, it benefits British Columbians, Albertans, people in Saskatchewan or Nova Scotia. We all benefit when Canadians prosper, regardless of where they are in this great country. We want to work with you in Ontario, in Quebec, or wherever Canadians are, to build a much stronger country still.

There is no talk of separatism. There is, however, a feeling of alienation, that perhaps somehow people in other parts of Canada don't always fully understand or appreciate the problems experienced by people in the Far West.

Maybe this misunderstanding is our fault. Perhaps we have not taken the opportunity to give the message to a great group such as this, or to groups throughout Canada.

Two months ago today, sitting with the Prime Minister and with other Premiers at a First Ministers' conference in Vancouver, I presented a perspective of Confederation as seen from the West Coast. In my remarks then at the conference, my first as Premier of British Columbia, I described the meeting as an opportunity to foster an increased sense of unity and national pride.

I also made the point, fairly forcefully I might add, that, if Canadians are to feel truly Canadian, as opposed to seeing themselves as British Columbians, Manitobans or Quebecois, it is essential for them to feel equal within Confederation. That message is as valid and timely today as it was in Vancouver.

After my election as Premier, it didn't take me long to determine that, if any Canadians have reason to feel somehow left out, perhaps not fully understood, or sometimes taken for granted, they probably are British Columbians.

That is unfortunate, because our province and our province's commitment and contribution to Confederation are both long and deep in spite of the many longstanding and current constraints that block us from playing a full role. The list is lengthy and includes population distribution, the political clout enjoyed in other parts of Canada, a woeful lack of British Columbians on national boards and commissions, and the sheer physical and travel problems that go with life in the Far West.

The last point may seem trivial but it is not. Just look at the Vancouver Canucks and where they are in the National

Hockey League standings.

Maybe geography really is the problem. It certainly is a strange thing from the viewpoint of British Columbians. The map shows that Ottawa is three thousand miles away from our province. But there is a growing number of British Columbians who feel that Ottawa might as well be three *million* miles away from us.

It's like looking at each other through different ends of the same telescope. We can see Ottawa without difficulty, but from the Capital, British Columbia must seem tiny in size and, as a consequence, in importance.

Let me stress today I make these statements in simple recognition of the facts, the way things are, and in a spirit of regret, rather than in rancour.

Let me also say that things do not have to be this way. My province pays a hefty price for its commitment to Confederation, often at the rate of two billion dollars plus per year. In the boom days when price and demand for our resources were high, our buoyant economy could handle that kind of cash outflow. Today, as we as a province struggle back from the lingering effects of the 1981 global recession, and with only modest economic recovery in the forecast, we just cannot afford to pay that kind of price.

Strengthening our economy, attracting investment, and, most of all, creating jobs for British Columbians are the major priorities in our province. We have a game plan to make good positive things come about, but it is unfair and unrealistic to expect us to accomplish them alone.

Before I outline the thrust of our strategy and give you some reasons why and where we are entitled to receive a substantial increase in federal consideration and assistance, let me make two points.

It's an inescapable fact of life in Canada that the federal government and its policies wield enormous influence in the development of our regional and national economies. Equally inescapable is that some of these same federal policies have hindered economic development in my province. The federal government, besides its tariff and deficit policies, has consistently taken more money from British Columbia than it returns in spending, investment and employment.

Take the federal procurement process. This is where we purchase things through various Crown corporations and the federal government; it involves billions of dollars per year—about twelve billion dollars over the past five years—but this trickle is very slow when it begins to reach the B.C. border. In the last fiscal year, 1986, British Columbia companies were awarded only 5.03 percent of the major contracts although we represent four percent of the population.

Then there's shipbuilding, a topic very much on my mind these days and certainly on the minds of all British Columbians. A review of the major federal contracts that went out between 1983 and the end of 1986 showed they were worth about $4.3 billion. B.C.'s share was only four percent, even though our firms are as competitive as any on this continent and we are on the ocean.

The average subsidy for ferries on the East Coast is fifty-eight dollars per travelling passenger. In British Columbia, it is $1.17.

Had fairness in procurement alone prevailed, the kind that would help British Columbians and make them feel they were equal partners in Confederation, British Columbia would get an additional three hundred million dollars to four hundred million dollars pumped into its economy each and every year, and for three million people that is a lot of money.

The outlay by federal enterprises and Crown corporations has also been far less than equitable. In 1979, the last date available for this information, we got a mere 6.02 percent of this kind of spending, whereas a fair share that same year would have added four hundred million dollars in federal cash.

There are other examples such as federal employment in B.C., which, on a *per-capita* basis, was sixteen percent below the Canadian average as of last December. Now we don't want the Government to rush out and hire more people so that they can fit them into British Columbia. If, in fact, there was equity in that area, we would have a further 10,500 people employed in British Columbia today and, in British Columbia, that's a lot of employment. If it were increased to that average, it would mean not only additional jobs but actually three hundred million dollars more in federal spending.

Given these facts and the need to bring about steady economic growth in B.C., the kind that will endure, we have to see substantial expansion of federal efforts within British Columbia.

Maybe the provinces should look at their own practices. Intergovernmental bidding to attract private-sector developments must be brought to an end. In the pressure to attract new industries, we find ourselves caught up in a high-stakes game in which governments deal out grants, subsidies and tax breaks as bait.

In all honesty, the private sector cannot be blamed for shopping around for the best deal, but maybe it's time governments remembered that the dollars we're waiving and sometimes wasing and squandering belong to the taxpayers. We've got too many so-called free enterprises trying to be magnanimous socialists. Nobody is a long-term winner in this kind of escalating and often fierce competition.

From a B.C. point of view, what's even worse is that the federal government continues to hand out loans, subsidies, and other benefits funded by taxpayers from across the country to Central and Eastern Canada, the fastest growing and the most prosperous regions. Of all the 1985 regional industrial expansion grants given to industries for research and expansion Quebec and Ontario received seventy-five percent and British Columbia five percent.

Thus we have a situation where the rich regions that just happen to house the nation's major banks and financial institutions continue to get a disproportionate amount of federal grants and subsidies. The result: the rich get richer and the poor get poorer. It would obviously be in British Columbia's interest to consider ways and means to redirect and channel the flow of investment money that is mainly resident here in this part of Canada.

My province has a strategy for economic renewal. It is broad in nature, designed in measure to help us reduce our reliance on our basic resource industries and it has many elements. Let me mention a few, particularly those that require and deserve federal assistance.

The federal government should award the Polar VIII icebreaker contract to the West Coast. We have the workforce, the skills and the yards. We need the nine hundred or so jobs, and we *did* have the lowest bid.

We also want to see federal legislation to help Vancouver become an international finance centre. It was talked about in the 1986 federal budget and it is something that would allow Vancouver to take a leading financial role in our strategic position on the Pacific Rim.

When we talk about Vancouver as an international finance centre, we're not competing with Toronto or Montreal; we're facing another world, we're in another time zone. We are competing with San Francisco and San Diego. If we can beat San Francisco and San Diego to the draw, and reach into the Pacific Rim, then everybody in Canada benefits. Everybody. That's how we want it to be.

Other initiatives crucial to British Columbia are the upgrading of our Vancouver International Airport to make it an international centre for trade, travel and finance. Changes in federal legislation to allow B.C. to set up special enterprise zones, and federal support to upgrade the TransCanada Highway would go a long way in that regard.

There are other issues of concern out there behind those mountains.

Take the question of British Columbia's representation in major federal institutions such as the Senate, the Supreme Court, and many other federal bodies and commissions.

Only about two weeks ago, I asked our Ministry of Governmental Affairs to research our representation on national bodies and commissions. I can assure you that it was a bit of a surprise to find that our representation was very, very thin. As a matter of fact, until a year and three months ago, we did not even have anybody on the National Harbours Board, even though we have the largest harbour in Canada.

We also found that, out of the fifty-seven or so public or national bodies, commissions, committees and boards that we were attempting to obtain information from, there were at least a dozen that refused to give us the information because of the Privacy of Information Act.

Another example of unfairness is seen when we look at the Senate, the Upper House, which is supposed to give more say to the less-populated regions. At present, because of its makeup and the way Senators are appointed, it merely further distorts the power structure within Canada.

So there are two issues B.C. wants addressed: a fairer share of federal funding and activity in B.C. and an increased provincial presence in the key decision-making bodies of Canada.

We're asking for a fairer share, which does not mean an increase in the deficit. We can have a fairer distribution using the existing resources.

Let me now pay tribute to the federal government for its stance and its actions in the difficult softwood lumber dispute. It would have been easy for the federal government to back away from that particular issue, but it had the courage to stand up and to do what was right for Canada.

Since B.C. is the major player in softwood exports to the United States with consequently the most at stake, I was disappointed by the kind of reaction to the settlement reached. Some of it is purely political. Much of it is based on lack of understanding of what is really involved. In some instances, it appears to be based on selective, if not faulty, logic, like the claim that somehow our sovereignty has been infringed upon by disagreement with the United States.

Tell me honestly, does the Auto Pact under which Canada must meet certain conditions and terms violate that same sovereignty? Do the critics care that six hundred million dollars remains in Canada rather than go over the border into the coffers of the United States? Are they concerned that three hundred million dollars to four hundred million dollars of that money will come to British Columbia and make it easier for the opposition parties to jump on the bandwagon because they can score more political points in Parliament?

Those who condemn this agreement have lost sight of the long-term implications of a failure to settle this dispute. Right now, Canada and the U.S. are involved in talks aimed at bringing about a comprehensive free trade agreement between our two nations. Had Canada and the U.S. failed to get their act together, had this dispute been allowed to drag on, prospects for a successful conclusion to these talks would be considerably dimmed.

I grant there is no guarantee even now that those talks will reach a successful conclusion, but I am convinced that we have to give it our best shot.

Let us never forget who our biggest and best trading partner really is. Increased access to the massive U.S. market is critical to the kind of growth we want and must have in the Canadian economy. I don't buy the argument that we're too small, that we can't compete, that we'll be dwarfed and engulfed.

I can assure you that there was a great deal of talk in British Columbia during our attempts to arrive at a settlement with the U.S. on the softwood lumber issue. Never did we say, and we won't today, that we are subsidising the forest industry. But we were getting advice from our legal people and from the people representing industry. The message was the same every time: if we don't settle, we are going to lose.

We had to seek that settlement to keep the money in our province, but what makes the British Columbia forest industry competitive is the fact that our workers work harder, our industry is more effective, more efficient, and our mills make those mills across the line that they're competing with look like 1925 operations. We don't need to be afraid of competing with the U.S.

From where we sit on the West Coast, a comprehensive trade deal would be a major plum. We are a resource province. We are dependent on exports. It would end the kind of situations like the softwood lumber dispute, and industries and manufacturers on both sides of the border would be able to operate in a more stable and predictable economic environment.

The fact is that there is a north/south linkage between B.C. and the Pacific Northwest including California that's growing, and it's becoming more and more important to British Columbia and consequently to Canada.

The opportunities, particularly in the area of energy supply, over the long run are enormous, and our province intends to make the most of the positive options that will inevitably develop.

We intend to make our voices heard and our presence felt in this major section of the American marketplace, just as we will continue, as I have done today, to make the voice of the West heard here in Central and Eastern Canada.

We shall be heard by those in Ottawa who will want to make sure that there's not just the perception of fairness, but that fairness will be practised. Together we can build. We are a nation full of resources. We have a people strong, willing and able to work and to compete anywhere in the world.

A strong British Columbia helps to make a strong Canada, just as a strong Ontario helps to make a strong Canada. All parts of this beautiful country must be strong and you can help make it so.

Nona Macdonald, President of The Empire Club of Canada:

On behalf of The Empire and Canadian Clubs, I am truly delighted, as one who has lived in British Columbia, to bring the appreciation of this meeting to you, sir. We are honoured to have you give your first major address in Eastern Canada as Premier of British Columbia to this audience in Toronto.

There was talk in your speech about East and West, about

North and South, about regional separatism, but the British Columbia connection is strong tonight, not only through your speech, but because of the people here. I presume that fifty percent, if not more, visited Expo '86.

The University of British Columbia, a great institution, is represented by its alumni here tonight. In fact, at this head table, one UBC graduate is a CBC producer, Norman Campbell. He also represents an East Coast link in that he is the composer of a great Canadian musical, *Anne of Green Gables*, which, of course, is set in Prince Edward Island.

Others at the head table represent some of Canada's national businesses: the Bank of Nova Scotia, Royal Trustco, Royal Bank, Price Waterhouse, Maclean Hunter, and Mrs. McCarthy, who as President of the Toronto Garden Club brings us together with the universal delights of gardening.

But all are here because they wanted to hear you, Mr. Premier, bring us the message from B.C., and it is an historic occasion, being recorded by television and radio. Rogers Cable will send this speech across Canada on its network including Victoria and Vancouver.

You have brought us closer to your beautiful province, which, after tonight, is *our* beautiful province.

You've helped us cross the mountainous barrier between West and East. You've presented a clear picture of your philosophy, priorities and plans for governance.

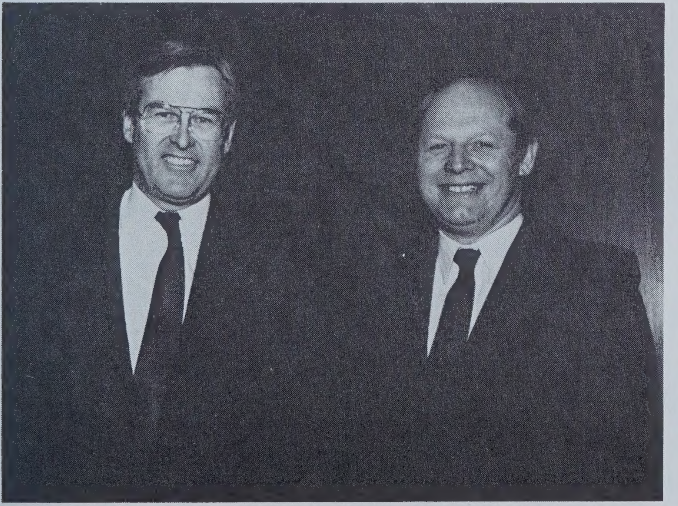
We thank you for being so forthright and, in my view, so fair, and now you are en route to your birthplace. You're going to the Netherlands and you're going to be welcomed by its royal family there.

But we don't want to lose you, because you vowed to make your voice heard here and we want you to come back for another welcome visit.

Indeed, it occurred to me that the next time you are on your open-line radio show, don't forget to invite your West Coast callers to visit us when in Toronto. Both our clubs will welcome those from B.C. in the same way you have been welcomed here tonight.

(Top): Club President, Nona Macdonald; Ontario's Premier, Hon. David Peterson.

(Below): Canada's Finance Minister, Hon. Michael Wilson; Canadian Club of Toronto's President, James K. Warrilow.



(Above): ANNUAL PAST PRESIDENTS' DINNER where Empire Club and Empire Club Foundation officers honour Immediate Past President, Harry T. Seymour. Special guest is Hon. Lincoln Alexander, Ontario's Lieutenant Governor and Honorary Vice President of the Club.

(Below): Canada's Minister of Youth, Hon. Jean Charest (centre) and Nona Macdonald with representatives of "Yes Canada", a joint business/government enterprise dedicated to help young people prepare for the work force. A co-founder, Harry Seymour, Immediate Past President of the Club, is third from right.

Nona Macdonald with Thomas Wells, Ontario's Agent General in the United Kingdom.

William Karn, a Past President of the Club; Raymond Cyr; Douglas Sloane, Bell Canada's Executive Vice President; Paul Clark, a Director of the Club and of the Foundation.

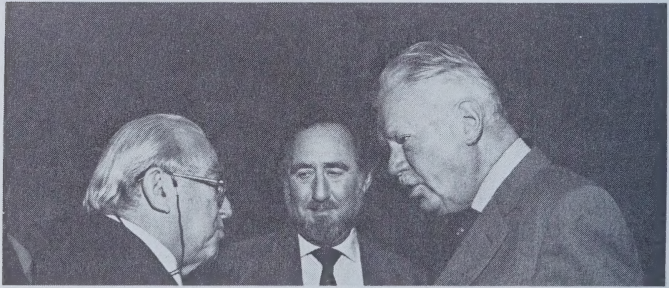
Penny Williams, Ken Wyman and Susan Murray; co-panelists.

Club Director Charles (Bud) Hoffman with wife Irene and Robert Bateman.

Catherine Charlton, a Past President of the Club, with Mr. and Mrs. Harry H. Wilson, parents of Hon. Michael Wilson.

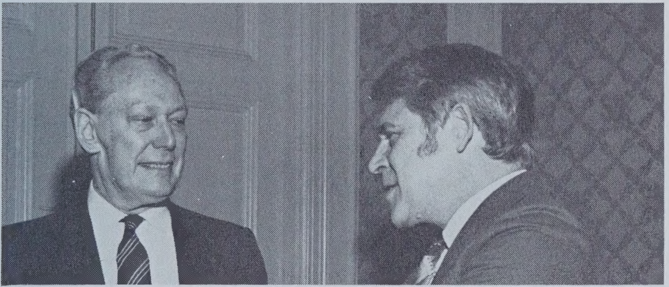
Hon. Barnett Danson, a Club Director; BGen. Reginald Lewis, a Past President of the Club; Hon. Perrin Beatty, Minister of Defence.

CBC Radio's Allan McFee, Henry (Hal) Jackman, a Past President of the Club; Sir Neville Marriner; Canadian Opera Star Alan Monk.



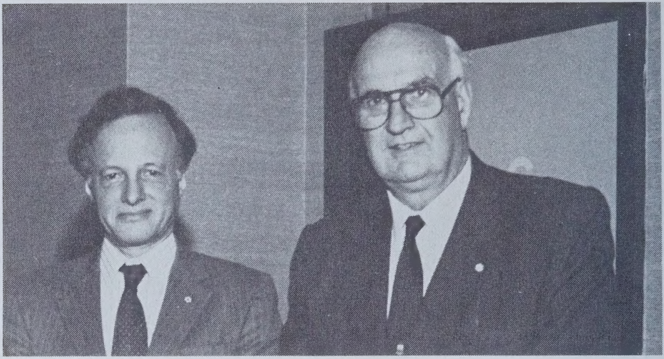
Arthur Gelber, former Chmn., Ontario Arts Council; Montague Larkin, a Club Director; Senator John Godfrey.

Nona Macdonald; George Weber, Director General, Canadian Red Cross.



MGen. Bruce Legge, Past President of the Club and the Empire Club Foundation; British Consul General, Bryan Sparrow.

Grafton Group Chmn. William Heaslip, a Foundation benefactor; Peter Hunter, a Foundation Director.



Nobel Prize winner, Prof. John Polanyi; Hon. John Black Aird, Chancellor, University of Toronto, and former Lt. Gov. of Ontario.

John Yaremko, Ontario's former Solicitor General, with wife, Mary.

Nona Macdonald with two Past Presidents, Dr. Harold Cranfield and Sydney Hermant, the Club's Senior Past President.

Hartland MacDougall, Chmn. of Royal Trustco; B.C.'s Premier William Vander Zalm; Nona Macdonald, Henry Stewart, a Club Director; Peter Hermant, a Past President of the Club.

(Right): Leslie Parkinson, a Club Director; Judith Maxwell, economist.

(Below): Charles Pachter, artist; Marcia McClung, Harbourfront's Communications Director.

(Opposite Page): (1) Lindsay Shaddy, Club Director; Diana Chant, Club Treasurer. (2) Ambassador Allan Gotlieb; CBC-TV's Barbara Frum. (3) Hon. Roy MacLaren, Club Director; Cineplex Odeon's Garth Drabinsky; Conrad Black, Argus & Hollinger Chmn. (4) U of T student Karen Chisholm; Grant Reuber, Bank of Montreal President.

(5) Publisher Donna Scott and Club Director John Campion with Disabled Persons Scarborough Chmn. Beryl Potter; James Warrilow.

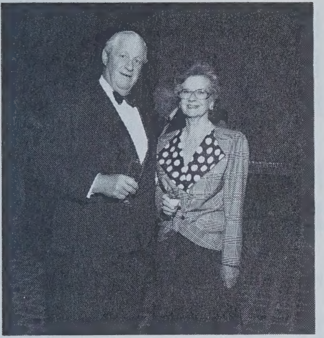
(6) Club Vice Pres. John Herrick; LCol. Robert Hilborn, a Club and Foundation Past President; David Oliver, Manager, Royal York Hotel.

NORTH YORK SCHOOLS
NORTH YORK SCHOOLS

CHRISTMAS MEDLEY
Yorkwoods Elementary School's Galaxy Steel Drum Band perform a unique programme at Christmas Luncheon.

FESTIVE CHRISTMAS LUNCHEON
Nona Macdonald; William Whiteacre, Club Secretary and Chmn. of Luncheon; Hon. Lincoln Alexander, Lt. Gov. of Ontario, signs the guest book.

ANNUAL SPRING BALL
(Top): Lindsay Shaddy, Wendy Cecil Cockwell, Ball Co-Chmn. & Club Directors. (Bottom left): Nona Macdonald, Hon. Mr. Justice Joseph Potts, a Club Past Pres. (Bottom right): Dominique Chatal; Blake Goldring, a Club Director and Ball Comittee member.



John and Joyce Thompson.

Ronald and Grace Goodall.

John Campion and Eva Innes.

Mrs. Domenico de Masi and Mrs. Philip Taylor.

Gail and John MacNaughton with Sonja and Richard Sinclair (centre).

BEHIND THE SCENES

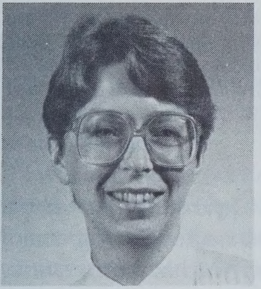
Reception Committee

Pipe Major Ross Stewart.

Anne Lato, Administrator.

Media and Gordon Steele.

Royal York Hotel chefs with Convention Floor Mgr. Adriano Ferreira.



January 22, 1987

Judith Maxwell,

Chairman, Economic Council of Canada

"LOOK BEFORE YOU LEAP"

Chairman: **Nona Macdonald**
President

Introduction:

The Humane Society has found a replacement for white mice in scientific research—it recommends that these little beasts be replaced by Economists! Why? Because there are so many more of them than white mice and they are so erratic that you don't get attached to them.

So goes another silly economist story; however, our economist today isn't erratic as she has taken a vow that she is going to stay in her position as Chairman of the Economic Council of Canada for a full term of seven years and this will make history in the Council's history.

Judith Maxwell is a Maritimer. She spent most of her early life in Nova Scotia and Prince Edward Island and she had a commerce degree from Dalhousie University before pursuing postgraduate studies at the London School of Economics.

In 1966 she joined the editorial board at the *Financial Times of Canada*; in 1972 she was appointed Director of Policy Studies at the C.D. Howe Institute, specializing in economic and fiscal policy, energy, and federal and provincial relations.

In 1980 she went to England as a consultant to the Corporate Affairs Department of Esso Europe Incorporated in London, where she developed a system for monitoring the impact of public policies in European countries on Esso Europe.

On her return, she became a consulting economist to Coopers and Lybrand Consulting Group in Montreal and was appointed Chairman of the

Economic Council of Canada on August 14, 1985.

Her husband works in the federal government, and they have two young children. So let us welcome this most courageous woman, who has just completed her first fifteen months as the Chairman of the Economic Council of Canada.

Judith Maxwell

Canada's tax system urgently needs tax reform. Just about everyone agrees on that. Fifteen years after its last major overhaul, we have a federal Income Tax Act that the Commons Committee on Finance and Economic Affairs bluntly labels "a mess."

As you know, the Minister of Finance will be bringing forward major proposals to deal with this mess later this winter. We are clearly at an important decision point in the evolution of the system that not only finances our governments but also has an important bearing on our performance.

The Economic Council of Canada is deeply interested in this issue. We will be releasing a statement on taxation by Council members in two weeks. It is entitled "Road Map for Tax Reform." Our work has drawn on some of the best brains in the country and is the largest programme of research outside the federal Department of Finance since the Carter Royal Commission of the 1960s.

The Council decided, when it launched the study in 1983, to focus on the taxation of capital income, that is, how taxes affect savings and investment. This is only one piece of the tax reform puzzle but it is a central piece that has profound consequences for Canada's economic growth.

The Council's Statement will put forward a number of new concepts for consideration in the policy debate that lies ahead. What I would like to do today is to give you some background on two key questions in that debate. This will, I hope, encourage you to read our statement when it comes out, but more than that, I hope to give you some new insights into the factors Canadians will have to consider in any serious effort at tax reform. The two questions are:

1. Do we have to imitate the U.S. reforms? and

2. How important is the problem of income instability?

My main message on the personal income tax is that we can proceed with a "Made in Canada" policy. We do not have to imitate the American approach, although it does offer some useful lessons.

I will not try to cover corporate income tax today, but I will simply say, off the top, that we have few degrees of freedom on the corporate side, so the new U.S. corporate tax measures do create very real constraints on our tax rates.

The goals of the current reform exercise are simplicity, equity, stability, and accountability. Few—if any—individuals understand the tax system well enough to feel confident that they are being treated fairly. And, despite high nominal tax rates, the system does not even bring in enough money to prevent sky-high deficits.

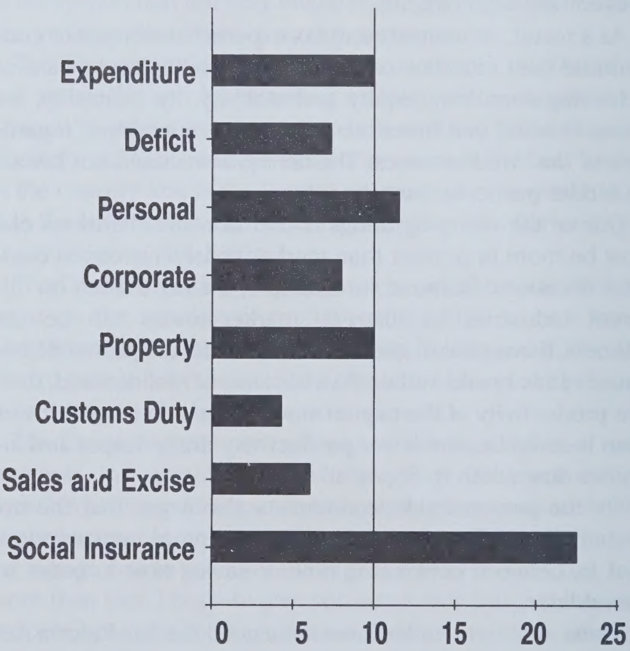
As a result, economists and tax experts have begun to concentrate their attention on tax neutrality as the best means of achieving simplicity, equity and stability. By neutrality, we mean treating one investment the same as another, regardless of the circumstances. The tax system should not favour or hinder particular investments.

One of the worrying things is that tax considerations can now be more important than market considerations in business decisions. Because, for example, the tax burden on different industries is different, market losers can be tax winners. If investment goes to activities that are profitable because of tax breaks rather than because of real demand, then the productivity of the capital stock in the economy is lower than it could be, and lower productivity drags output and incomes down with it. So we all lose.

On the personal side, economists also argue that the tax system should be neutral as to the timing of consumption, that is, between consuming now or saving now in order to spend later.

These same principles have influenced the Tax Reform Act in the U.S. In fact, the Americans pulled the political coup of trading off dozens of tax preferences (special deductions and exemptions) for lower rates. In that sense, the U.S. reform can act as a model for Canada. But many commentators have suggested that lower personal marginal tax rates in the U.S. pose a threat to Canada—that they will touch off an exodus of investors and their money.

My thesis today is two-fold. First, let's not jump to easy conclusions about the supposed advantages of the new U.S. tax régime over what we've got here. Let's look before we leap. Second, there are good Made-in-Canada reasons for reforms of a similar nature.


Ratio of U.S. to Canadian Taxes
(in Canadian dollars)
1984

Source: ECC, based on U.S. and Canadian National Accounts

Let's begin by looking at the situation pre-reform. This chart compares the U.S. and Canadian positions in proportional terms, as they were in 1984. It takes account of the spending and revenues of all three levels of government in both countries, with U.S. amounts converted to Canadian dollars.

Starting at the top of the chart, we see that federal, state and local governments in the United States spent 10 times as much as our federal, provincial and local governments. This is just what we would expect, as the U.S. population is about 10 times ours.

But there are important differences in the makeup of spending. Tax-supported medicare is limited to the poor and the aged in the United States, while it reaches everyone in Canada. On the other hand, the United States carries a bigger defence load than we do. But total spending established a 10:1 ratio that will be a useful rule of thumb as we pursue this analysis.

Working down the chart, we see that total deficits—a measure, incidentally, of taxes to come—were relatively higher in Canada (i.e., the U.S.-Canada ratio falls short of 10:1).

There are also marked differences in the tax mix in the two countries.

Corporate income tax was a smaller source of revenue for U.S. governments while personal income taxes were a larger source. In other words—and this I want to stress—the personal income tax burden was heavier for the average American than for the average Canadian. Americans paid twelve times as much income tax as Canadian did, not ten times as much, as the rule of thumb would predict. The corporate tax burden was lighter in the United States, only eight times the burden in Canada.

The effect of last year's U.S. tax reform will be to narrow these gaps. Personal rates in the United States will come down a little and corporate tax payments are going up a little, converging on the 10:1 ratio in this chart. As a result, the average American burden is coming closer to the average Canadian burden, on both the personal and the corporate sides.

Property taxes obey the 10:1 rule. In total, they are comparable in the two countries, although the U.S. homeowner has the advantage of being able to deduct property taxes from taxable income. But it must be remembered that U.S. property taxes do not discriminate in favour of residential properties the way Canadian property taxes do. (In fact, business pays three times the municipal tax rate of residential property in Canada).

Next, we see that sales and excise taxes and customs duties were relatively smaller sources of revenue in the United States than in Canada.

The most dramatic difference is in levies for social insurance. According to the rule of thumb, they should bring in ten times as much revenue in the United States as they do here. In fact, they are twenty-two times as great in the United States. Much of our social insurance spending, notably in health and old age security, is financed by general revenues primarily from the personal income tax. In the United States, employer and employee each pay seven percent of wages up to a limit (US$39,600 in 1985) into the Social Security system. This pays for retirement pensions as well as such things as disability and unemployment benefits.

So my advice to the Canadian who dreams of tax heaven in the United States begins with this: have a careful look at Social Security levies and property taxes. They have not been affected by the U.S. reform legislation, and in most situations, they are much higher than in Canada.

Why then have we heard so much about a possible brain drain to the U.S.?

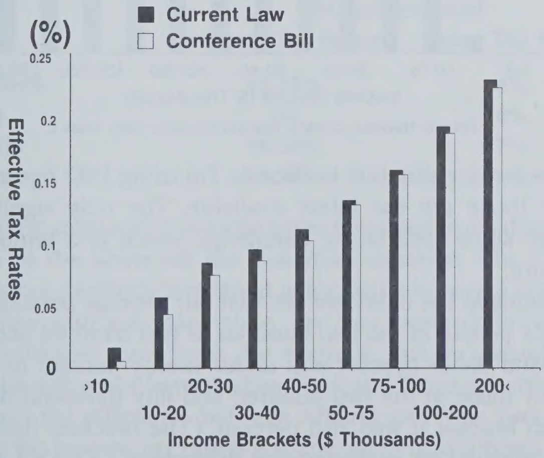
It's the cut in the top marginal income tax rate that seems to give the new U.S. tax régime its instant appeal. When the reform comes fully into force next year, the top marginal rate on federal income tax will be twenty-eight percent. This is six points lower than the thirty-four percent we currently face in Canada. This differential has caused concern about the plight of Canadians with money to invest. In fact, we've even been threatened with the permanent loss of the Stanley Cup if the best hockey players scramble to get south of the border.

Hockey is a little out of our line at the Economic Council. But I think that fears of an exodus by hockey players and other professionals are exaggerated. Of course, large tax differentials would encourage migration. And the wonderful variety of individual circumstances means that you can always find someone who is clearly better off under any given tax system than under any other.

But let's not be dazzled by the top marginal rate. That's not what influences decisions to migrate. The top marginal rate is something to consider in choosing among possible investments *within* one jurisdiction. But, speaking generally, people are taxed where they live and they are taxed on the basis of total income, so it is the *average* tax rate that influences decisions about where to live.

And the average effective rate of federal tax, after the U.S. reform, is roughly the same in the two countries. I have two charts that make this point.

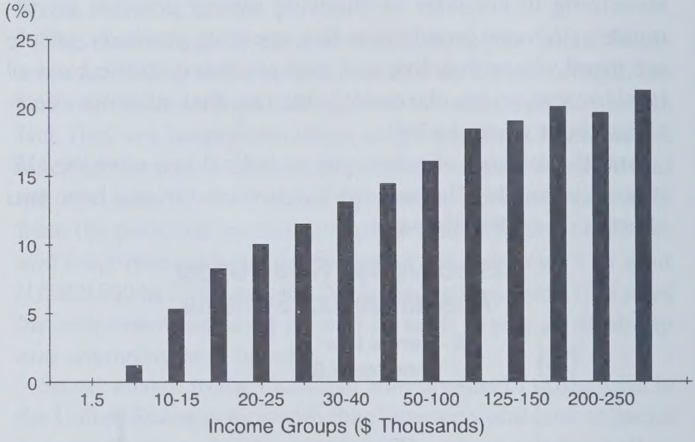
Effective Tax Rates Under Alternative Tax Systems



Tax Notes, September 22, 1986

This chart shows effective U.S. tax rates at the federal level. From left to right in each column, we see the average rate under the old law and under the new law. Looking to the highest column, the one at the far right, we find that the effective tax rate for people with income of two hundred thousand dollars or more will drop just a little, to about twenty-two percent. It's at the bottom of the income scale that the Americans have made the sharpest reductions in effective rates, not at the top, among the people with most money to invest.

Average Federal Personal Tax Rate
Canada, 1983



Source: Revenue Canada Taxation Statistics 1985. Table 2

Now for our situation in Canada. I'm using 1983 figures because those are the latest available. The only significant change since 1983 is the surcharge, which is a temporary measure.

Looking at the chart, we see that our average personal tax rate for people in the two hundred to two hundred and fifty thousand dollar bracket was under twenty percent in 1983, and for those in the two hundred and fifty thousand dollar-and-up bracket it was 20.8 percent. (The brackets have not been adjusted for exchange rate differences.) That's a shade below the new top U.S. rate, which we've just seen will be about twenty-two percent for people at this income level. In short, average tax rates in the two systems look roughly the same. If anything, Canadians have a slight advantage if the surtax is ignored.

This means that the new U.S. tax rates do not present a major national tax policy problem for Canada; the pressure on the Minister of Finance to cut personal tax rates to match U.S. rates should not be exaggerated.

Of course, from the taxpayer's point of view, federal taxes are only part of the picture. There are also provincial or state taxes and local taxes. In Canada, provincial taxes are a significant part of the total load. South of the border, the level of state taxes varies widely—you could almost say wildly. Seven states have no income tax at all, for example, while three have income taxes with top rates that reach thirteen percent or more.

Examples of Differentials in Marginal Tax Rates

	State/Provincial Income Tax Rates	Sales Tax Rates
New York	**13.75%**	**4%**
Texas	**nil**	**4%**
Ontario	**16.32%**	**7%**
Alberta	**14.79%**	**nil**

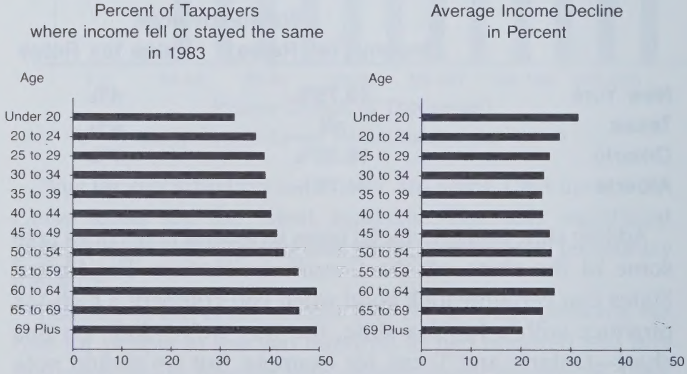
Adding state and provincial taxes to federal taxes does take some of the shine off the Canadian situation. The United States can certainly look good when you compare a high-tax province with a low-tax state, the way we've done on this chart—Ontario and Texas, for example. But we should note that the difference between New York and Texas may be greater than the difference between Alberta and New York. New York's top income tax rate is a shade lower than Alberta's, but New York has a four-percent sales tax while Alberta has none.

One thing this illustrates is that the provinces cannot be left out of any tax reform that is directed at keeping Canada as attractive as the United States.

We've all read a lot of praise for the U.S. tax reform, much of it well deserved. But we should be equally attentive to some sour notes being heard now that the initial hallelujahs are fading away.

One is the so-called clawback that will produce a real marginal rate of thirty-four percent for some U.S. taxpayers. For most people, the first $29,750 of taxable income will be taxed at fifteen percent; income over that amount at twenty-eight percent. But over a certain income range—one expert sets it at perhaps seventy-two thousand dollars to perhaps two hundred thousand dollars of joint income—the advantage of the fifteen percent rate will be "clawed back." That is, the first $29,750 (for married couples filing jointly) will, in effect, be taxed at the higher twenty-eight percent rate. This pushes many taxpayers up to a marginal rate of thirty-four percent.

Income Instability in Canada by Age Group



Source: Revenue Canada Taxation Statistics 1985, Historical Table 3

The second issue I want to address with you today is income instability. The U.S. reforms have just removed the provisions that allowed U.S. taxpayers to average their incomes over time. We have some averaging in our income tax system now and I believe there may be scope for more.

Few Canadians recognize the importance of year-to-year income fluctuations that individuals experience. Would you believe that between thirty and fifty percent of Canadian taxpayers experience either no increase or a decline in income from one year to the next? It's true. The average decline is between twenty and thirty percent—not even counting inflation, which makes the real decline even greater. Note from the left hand side of the chart that all age groups experience declines, particularly those who are over 55. But the size of the decline is more severe for young people.

This instability comes as a surprise to many people with secure jobs and a steady paycheque. Some of the reasons for income declines are easy to guess. People who are self-employed, in small business, farming and fishing are vulnerable to swings in the market. But the decline would not be as large or the number of people involved as great if wage and salary earners were not affected, too—through bouts of unemployment, for example, or long-term sickness when benefits are less than earned wages.

Nor can the situation be attributed only to recession. An unpublished Statistics Canada analysis of tax files shows that only one in four taxpayers had unbroken records of year-to-year increases in income from 1970 to 1976. Yet those were "good" years, with rising prices and less unemployment than we have now. Had the figures been adjusted for inflation, the percentage of taxpayers with steadily rising income would have been even lower.

This problem of instability is likely to increase in the years ahead simply because of the amount of job change going on in the economy in response to new technologies and international competition. We will see more people going back to school, for example, in order to reorient their careers.

Averaging seems to me a very important advantage in a system where incomes are unstable. Those who experience income cuts should be treated sensitively by the tax system. Yet the United States has just eliminated all averaging provisions.

The Economic Council will have more to say about averaging in the *Road Map* statement. I don't want to get ahead of myself, but it's surely clear that the scope for income averaging and the hidden costs of the U.S. clawback are two more things for the potential emigrant to think about before moving. When you also consider the similarity in average tax rates, the higher social insurance levies and taxes on residential properties in the U.S., the Canadian system does not look all that bad.

I hope I'm not leaving a wrong impression here. Yes, average federal income tax rates for the big earners are comparable in the United States and Canada. In fact, Canada has the edge. Yes, I see drawbacks in the new U.S. tax system. But I also see good "made-in-Canada" reasons for broadening the tax base and reducing tax rates.

I think we should bear in mind, in the public debate on tax reform, that Canada has always taken quite a different route to personal income taxation from that in the U.S. I can list four differences, off the bat.

1. We treat savings differently, for example, through RRSPs and the investment income deduction.
2. We have, since 1971, provided for integration of personal and corporate income taxes through the dividend tax credit.
3. We also index for inflation.
4. And, as I just explained, we provide more scope for income averaging over time.

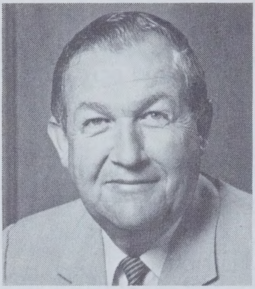
In recent years, the U.S. has followed Canada's lead on savings (IRA accounts) and indexation, though the two systems are still very different.

Only time will tell whether the federal government is prepared to go the route of base broadening and lower tax rates.

The tough issue for the Minister of Finance in doing this is not in finding deductions and exemptions that could be scrapped. We have plenty of tax preferences in the Income Tax Act. His problem is picking the ones that you and I as taxpayers will give up with the least yelling and screaming. The only way to sell such a vigorous move toward equity and simplicity is through lower tax rates.

But now I really am getting ahead of myself. I hope you'll read all about it in our *Road Map* statement. And that you will advise people grumbling about high tax rates in Canada to look before they leap into any hasty decisions.

The appreciation of the meeting was expressed by Carlyle Dunbar, a Director of The Empire Club of Canada.



January 29, 1987

J.V. Raymond Cyr

President, Bell Canada
Enterprises Inc.

"HOW SOCIO-ECONOMIC CHANGES AFFECT BELL CANADA ENTERPRISES"

Chairman: **Nona Macdonald**
President

Introduction:

The presence of today's speaker gives credence to the futuristic accuracy by which The Empire Club chooses the eminent individuals who address us. How did one know that Raymond Cyr would move from his already lofty post as Chairman and President of Bell Canada—our favourite phone company—to become President of Bell Enterprises, which boasts the largest number of registered shareholders of any Canadian corporation, making that leap just in time to speak to us? Do we have a crystal ball, or are we blessed with prescience? Actually, it is due to the good networking of Bell Canada, and networking is appropriate for a communications company. Last fall the recently retired former Public Relations Director of Bell Canada's Ontario Division, Mel James, convinced me that Mr. Cyr would be an ideal speaker, and as I spend fifty percent of my time on the telephone I readily agreed. Now that Bell Enterprises has been added to his list of responsibilities, Mr. Cyr's stock as a speaker has gone up and I see that Bell stock has gone up also.

Raymond Cyr was born and educated in Montreal. He joined Bell Canada 28 years ago with an engineering degree from the University of Montreal. He held various senior positions leading to the presidency of Bell Canada in 1983 and later became Chairman and CEO. He has been a director and still is, of many Canadian corporations. On January 1, 1987, he took on the presidency of Bell Enterprises, a management holding corporation with interests in telecommunications, manufacturing, energy, printing and real estate and, as I mentioned, boasting the largest number of shareholders of any Canadian corporation. It also has common shares listed on stock exchanges beyond Canada; in the U.S., Europe and Japan.

There are some interesting and intriguing facets about Mr. Cyr that caught my attention. He is among the few executives who has taken the one-year course at National Defence College in Kingston. Also, he was President of The Telephone Pioneers of America, the largest voluntary association of industrial employees in the world.

He is a member of the Canadian-U.S. Advisory Committee, the Canadian Chamber of Commerce and is Chairman of the Montreal Museum of Contemporary Art. He is a man with a wide range of responsibilities and an equally wide range of interests.

Let us welcome Raymond Cyr, President of Bell Enterprises and Chairman of Bell Canada.

J.V. Raymond Cyr

About a year ago, when I accepted your invitation to speak, I was pretty sure what my subject would be today. I thought then I would address the subject that most people were, and still are, asking about—the significance of the changes taking place in the telecommunications industry. And my plan was to do that against the background of socio-economic changes occurring in Canada.

But change is so all pervasive, it seems, that it even affects those who would dare to observe and comment on it. Even my own situation has changed.

So instead of discussing with you the significance of the changes impacting my industry, against the background of current socio-economic change in Canada—I have chosen a much more important subject. I want to discuss the significance of current socio-economic changes in Canada, against the background of changes that are affecting my industry.

You see how my perspective has changed!

My first observation concerns the increasing degree to which we, as a nation, have become dependent on the services sector of our economy.

Less and less are Canadians making or growing real things, such as shoes or turnips. More and more we are devoting our people, our money, our time and our energy, to *helping* those who *do* produce real things—helping them do so better, faster and cheaper. As a nation, our main product has become service.

For example, the services sector of our economy now accounts for two thirds of Canada's total domestic output, and it employs more than 70 percent of the country's workforce.

And these jobs aren't solely at the lower income end of the scale. For example, in 1983, three-quarters of all the scientists, engineers and technologist working in Canada, were employed in the services sector.

There are a couple of points that I see as significant in this situation.

The first is that a services-oriented society does not seem to be so affected by business cycle swings as a goods-oriented society. And that's good news for Canada.

The recession of 1982 demonstrates the point. During that year, our overall Gross Domestic Product dipped by 4.3 percent. This was a combination of a dramatic nine-percent plunge in goods production, but only a 1.5-percent drop in service production.

A second significant result in our becoming a nation mainly of servers is that it's generally more difficult to trade services in the world's markets, than it is to trade goods. While this currently may be bad news for our country, we can gain successes if we're willing to work harder—and work smarter.

Anything physical can be traded pretty well anywhere, providing you can find someone who wants it—and is willing and able to pay your price. But services are less concrete. Largely, they exist as insight and experience in the minds of people. Services are not easily quantified or measured.

Canada has traditionally posted large surpluses in the trade of goods, while posting deficits in other areas, but we nevertheless do have services that the world wants.

Our banking industry, for example, is recognized the world over for its strength. As well, several major Canadian firms have established worldwide reputations for their know-how and integrity in engineering consulting services.

Another sector where Canada is a leader on a competitive international level is, of course, telecommunications.

Most countries in the developed world have good telecommunications systems. We like to think that none is as good as Canada's, but pretty good. This is not the case, however, in lesser-developed countries, where authorities now have come to understand that telecommunications is a key to economic development.

There is keen competition among the world's major providers of telecommunications services to assist in these development efforts.

A good example of Canadian competitiveness in this area is Bell Canada International, which has completed projects in more than 70 countries. These were successes in selling services—specifically, our telecommunications insight and experience.

Right now, BCI is carrying out our second billion-dollar-plus contract in the Kingdom of Saudi Arabia. These are the largest consulting contracts ever seen in the telecommunications industry.

Northern Telecom, our telecommunications equipment manufacturing subsidiary, is a major success story in its own right. Beginning from a Canadian base, it evolved into a North American leader, then expanded on a global scale. Today Northern Telecom is *the* world leader in the supply of fully digital telecommunications systems.

However, we see the evidence daily that Canada is only one of the players in a global high-technology race in which exports and jobs are at stake. To compete successfully for exports, Canadian companies need the same structural and operational elbow room as their international competitors.

I should point out that this is already an uphill struggle, because we're competing with larger companies in larger countries, having larger markets, and many of them are heavily subsidized by their national governments.

Peaceful trade is the lifeblood of nations, and a bridge between rival ideologies that leads to greater international understanding. But we Canadians are getting the message in clear, unmistakable terms that we are going to have to fight for our rightful share in world markets if we are to maintain the living standards achieved in the past.

In the global marketplace, as in the domestic business sector, there is no free lunch. We get exactly what we pay for in terms of the efforts we are prepared to expend.

More and more, as the world shrinks, competition increases, and business becomes more international in its scope. It is not a sense of entrepreneurial adventurism that drives us in our search for world markets—it is simple necessity. Almost as in time of war, we have a stark choice—to do or die. And that, of course, is no choice at all.

No country, perhaps Canada least of all, can survive and prosper in isolation. Our world is well on the way to becoming a single marketplace. And international competition is pushing us towards a global marketing strategy.

One of the psychological barriers we need to overcome in this context is our fear of corporate bigness. In sectors such as electronics and telecommunications, a comprehensive research and development program requires a critical mass to keep things going. We shouldn't fear bigness, because what Canada really needs is more multinational companies—companies with the size and muscle to take on world-scale competitors.

BCE and its subsidiary corporations have had many international successes—not in every marketing attempt, of course, but overall, a strong track record.

You may have read in this morning's newspapers that, during 1986, BCE achieved one billion dollars in net income—for the second year in a row. That's a Canadian record, but I think it's worth pointing out right away, that on the world scene, it falls into the medium-size category of business success. So we have to continue seeking new opportunities.

Northern Telecom, as we all know, has carved out a leadership position in North America. It has deployed its forces throughout the world and is breaking new ground in Japan, China and other markets.

But there are still major opportunities to be exploited. To do this, it commits some eleven percent of its revenues to support the major research and development activities necessary to insure future technological and marketing success.

Northern's competition includes some of the world's largest companies—to cite a few, AT&T, L.M. Ericsson, Philips, Siemens, and Nippon Electric. But beyond that, the world market is becoming increasingly populated by the colossal joint ventures formed by these huge and widespread corporations. And many of these companies operate with state-sanctioned dominance in their own domestic markets.

We have confidence in Northern Telecom and we're optimistic about other major subsidiaries as well. I'd like to mention them briefly.

Bell Canada, your telephone company, must operate within the domestic telecommunications market, but it is highly efficient and strives constantly to remain innovative. So we expect Bell Canada's revenues will continue to grow, especially in competitive business areas.

Bell is moving ahead aggressively with new network services such as Envoy and iNet (the electronic gateway), already growing at rates of seventy percent per year.

Closer to the residential customer, new technology such as digital switching will permit new services to the home.

The trials in Peterborough of "Call Management Services" are well under way. Such features as knowing the telephone number of the calling party should eliminate annoyance calls and open the horizon to many new applications in the home.

In passing, I might point out that, contrary to what you may have read in the newspapers, Bell Canada together with other members of Telecom Canada has put in a fully compliant bid for Teleglobe.

It has done so with other partners.

TransCanada PipeLines is a world leader with its pipeline and transmission technologies. Like others in the energy field, it was strongly affected by depressed prices in 1986. However, its domestic pipeline operations carried a record volume of natural gas for the third consecutive year.

Over the last two years, TCPL has written down the value of its oil and gas assets and has restructured its marketing forces. It has prepared itself to compete vigorously. As you know, there has been a recent improvement in world oil prices and if that trend continues, it has to be good news for TCPL.

BCE Development, our real estate subsidiary, has doubled its assets in the past year to more than two billion dollars. BCED has a strong and experienced management team now focussing its efforts on the development of commercial income-producing properties. These activities are showing positive results now and we foresee a strong future.

BCE PubliTech, which holds our printing, packaging and publishing interests, is now the sixth-largest commercial printer in North America. In addition, it is winning international successes on several continents against competitors in the fields of telephone directory publishing and lottery and security printing.

BCE Commcor is a new company, just created, to hold our interests in the emerging communications and information services markets. These companies are growing rapidly and are projecting combined sales in the order of $300 million by year end.

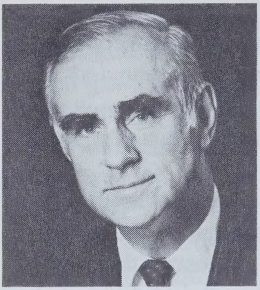
That's the checklist of our major holdings. Our interests are widespread and diverse, but they have a common potential for growth and much of that must be on a world scale.

Against this background of increasingly intense global competition, the pace has to be kept up. We can only afford to give BCE employees and subsidiary companies about one day—today—to enjoy the renown of having set Canadian business records.

We're already challenging ourselves with the target of more than $2 billion of net income by the mid-1990s. We have a commitment to double our annual spending on that essential competitive ingredient—research and development: and we already have the most extensive industrial R&D programs in Canada. That means we'll be spending some one-and-a-half billion dollars on R&D five years from now. So we're going to *have* to achieve our target to remain among the world's leaders.

We'll continue to look at new opportunities as they arise but, as you can see, BCE has the main components of its organization in place. Our task now is to ensure their growth and continuing development over the next decade or so. And that's what we intend to do.

The appreciation of the meeting was expressed by William Karn, a Past President of The Empire Club of Canada.



February 5, 1987

Henry N.R. Jackman
President,
The Ballet-Opera House
Corporation

Sir Neville Marriner, C.B.E., A.R.C.M.,
Founder and Director,
Academy of
St. Martin-in-the-Fields

"BRAVO . . . ENCORE! SALUTE OUR BALLET, OPERA AND SYMPHONY"

Chairman: **Nona Macdonald**
President

Introduction:

Henry Newton Rowell Jackman comes to us fresh from his last stage appearance in Stratford Festival's fundraising parody *Much Ado About Something*, a Shakespearean "conglomerate," in which he played—naturally— Prince Hal.

Grandson of the late Chief Justice of Ontario, The Honourable Newton Rowell, Hal attended Upper Canada College, University of Toronto Schools, University of Toronto and the London School of Economics.

Today he is chairman of The Empire Life Insurance Company and Chairman of seven other corporations, vice-chairman of five boards of directors and president of ten companies.

However, his presence here is warranted by the fact that he is a distinguished past president of The Empire Club of Canada, and is president of the Ballet Opera Corporation. Ladies and gentlemen, Hal Jackman.

Henry N.R. Jackman

Madam Chairman, I am indeed honoured to be here with you today and share the platform with one of the world's greatest conductors, Sir Neville Marriner.

Some of you may feel that the maestro and I are rather an odd couple to be sharing the same podium. Sir Neville, on the one hand, is a brilliant musician, founder of the Academy of St. Martin-in-the-Fields, and a man who has conducted in the world's greatest opera houses.

I, on the other hand, have built my career trying to defend the solvency of Canada's financial system. It is true, Sir Neville, I deal, like you in notes—but mine are not of the musical variety. There are, however, two things which the maestro and I have in common: a love of the performing arts and a passion for excellence.

Although you have visited Toronto before, Sir Neville, I would like to take this opportunity to give you a little background of this city and how it has grown in the past 40 years.

When I was a boy being brought up in what was then called Toronto the Good, there was very little activity in the performing arts of any kind. I never went to the ballet or the opera because there simply was no ballet or opera to go to. There were no theatres. There were no restaurants, certainly no licensed ones. My only memory of classical music in those years was being taken by my mother as a small boy down to Massey Hall on Saturday afternoon to hear Sir Ernest Macmillan conducting *Peter and the Wolf.* Saturday evenings were certainly not for anything so frivolous as the theatre. If my memory serves me, Saturday evenings were simply a period of preparation for the ongoing ordeal of having to attend the Methodist Church on Sunday mornings.

However, all this has changed. Our city has undergone a metamorphosis unlike any city of its size in the world.

I have had the pleasure of watching this city mature, not only to become Canada's financial and service capital, but to become its major cultural capital as well.

And in a society that marvels and applauds growth and success, Toronto's coming of age is no better shown than in the growth and achievement of our ballet and opera companies. Both ballet and opera started in this city approximately thirty-five years ago with nothing more than a dream on the part of their founders that the promise of our city could become a reality for two of the world's greatest and most enduring art forms.

In one generation, the National Ballet of Canada has become one of the foremost companies in the world. Its artists are internationally acclaimed, its company is continuing to be invited to world capitals such as New York, Washington and London. And now, this year, under a new artistic directorate, three of the world's greatest choreographers, Sir Kenneth Macmillan, Jiri Kylian and Glen Tetley, will come to Toronto, the last so named to choreograph his major new work especially for our company.

The Canadian Opera Company has secured its dynamic reputation as the fastest growing opera company in the world. This year, artists such as Placido Domingo and Dame Joan Sutherland will come to Toronto. Our opera's artistic excellence has won not only the hearts of Torontonians, but also those hundreds of thousands who enjoy its performances through the Texaco opera broadcasts on Saturday afternoons.

However, in spite of the great strides made by our ballet and opera companies, one fundamental reality imprisons them in their past. They do not have, nor have they ever had, a proper place to perform. They do not have their own home.

The O'Keefe Centre, where both companies now perform, was built in the 1950s when Broadway musicals were very much in vogue, and before either the ballet or opera company had established sufficient credibility to be taken seriously as permanent tenants.

From the ballet and opera companies' point of view, it is perhaps unfortunate that the O'Keefe was not built ten years later when both companies had become better established, because by then the requirements of classical opera and ballet would have undoubtedly influenced that theatre's design.

Although the O'Keefe has done yeoman service over the years, the acoustics and dimensions of the hall require mechanical amplification of voices simply to be heard. The backstage facilities are not adequate for classical musical theatre played in repertory, and the sight lines and distances from the stage destroy the intimacy with the audience that is so important to listener and artist alike.

By 1978 both companies had reached a stage in their development when it was apparent that a new home would have to be built if their growth were to continue.

The Ballet-Opera Hall Corporation, of which I have recently been elected president, was formed to construct and finance this project on behalf of the two companies. Under my predecessor, Ephraim Diamond, eight studies were undertaken involving eighteen different consultants at a cost of more than four hundred thousand dollars, much of which was contributed by government. If these consulting reports are placed end to end, they will fill a good-sized bookshelf.

All of these reports, however, establish the incontrovertible fact that in no other city in the world that enjoys two such prestigious companies are our artists so inadequately housed.

The studies conclusively prove that, in terms of job creation, economic impact, tax revenues to governments, increased tourism—that public expenditures on this project will yield to the economy untold benefits.

During construction, the new hall will create more than one thousand five hundred on-site jobs and more than five thousand four hundred jobs throughout the economy. Direct and indirect annual benefits to the economy from additional employment are estimated to be thirty-five million dollars and one hundred and forty million dollars respectively.

Although the need for a new home for both companies was established as early as 1978, something else has happened in Toronto. Since 1978, audiences for live theatre in our community have more than doubled. We now have more live theatres in Toronto than in any other city in North America outside of New York. The O'Keefe Centre, which for a time had been considered something of a white elephant, has in recent years been subject to demands from other organizations and producers to make space available to them. The O'Keefe, which is owned by the municipality, has told both companies that, considering their mandate to provide other forms of entertainment as well as opera or ballet, it will be impossible for them to give our two companies any more performance time.

This is occurring at a time when the audience for both ballet and opera is also growing. Since 1977, the number of performances has doubled and subscription sales have more than trebled. The current box office for both companies is running around ninety-five percent of capacity, so that, by as early as next year, a large number of people in our city will once again—as when I was a boy—simply not be able to enjoy the experience of going to the ballet or the opera. In short, both companies are being told that, without a new facility, they have no room to grow.

If you tell a businessman that he cannot expand, he may not like it, but he will make the necessary adjustment.

But if you tell an artist that he or she has no room to grow, that is as much as denying the very reason for the artist's existence. For art by definition represents the pursuit of excellence in a creative way that simply cannot be allowed to stagnate.

The audiences for both ballet and opera must be allowed to develop, for it is the sensitivity and the imagination of the listener that allows the work of art to take on a public life of its own.

If, because of the logistics of space, we have no more performances, then Canadian singers and dancers will not be able to develop their art nor expand their repertoire. Their artistic scope will be limited and employment opportunities for singers, dancers, musicians, designers will be limited.

When I assumed the position of president of the Ballet-Opera House last November, I committed myself to building a home in Toronto for our national ballet and opera companies.

I am committed to this project as a Canadian who feels proud that Toronto is the home of these two great companies and that it is time that we had the courage to take pride in their artistic achievements.

I am committed to this project as one who believes that it is our responsibility as citizens to look after our artistic family. We must provide for them so that they in turn can enrich our lives and those of our children through their art.

I am committed to this project as a businessman who can clearly see the enormous economic return an investment in the Ballet-Opera House will generate.

And perhaps most of all, I am committed to this project because the people of Toronto want it to happen.

In attempting to determine whether our great undertaking would gain public acceptance, the Ballet-Opera Hall Corporation commissioned Goldfarb Associates to undertake a study as to the attitudes of the people of Toronto towards our project.

As one could anticipate, subscribers to both ballet and opera were virtually unanimous in wanting the new house. However, when Goldfarb asked a random sampling of Metro Toronto residents, very few of whom had ever been to either opera or ballet, the result was that a surprising seventy percent of the respondents favoured building a new house. They also favoured government funding towards the project.

When the random sampling was asked another question as to which they most preferred, a domed stadium or an opera house, fifty percent preferred the Dome but a surprisingly high forty percent preferred the Ballet-Opera House even though very few of the respondents had ever attended classical musical theatre, while almost all had attended or watched sporting events on television.

These figures surprised even me, so I asked Martin Goldfarb why the people of Toronto who have never been to opera or ballet support such a project? The answer was that Torontonians are proud of their city and they want it to be world class in every way. They have been caught up in the vibrance and excitement of our great city and they recognize the development of our cultural life is essential to our wellbeing.

Some have said that an undertaking such as we propose is only for the elite and those who buy the expensive tickets. But it is not, however, for the dress circle that we build this house.

Visualize in your mind's eye, if you can, a great edifice, a tribute architecturally to our city, occupying almost an entire city block. For this is not just an auditorium and a stage. This building will represent state-of-the-art technology in theatre and stage design. It will represent rehearsal halls for dance, for full orchestra and chorus, study rooms and classrooms for young musicians and artists of every kind. It will represent design studios and workshops for props, scenery, costumes, wigs.

It will be a veritable beehive of activity that will provide jobs for a thousand creative people working in all the various disciplines that make up the art.

Visualize the sometimes frenetic activity of a great theatre, which to the uninitiated may seem to be a sea of confusion, but, when evening comes, when silence reigns, and the houselights dim, the conductor takes his place and the music plays and the spectacle unfolds and sends its message and its art forth night after night.

For it is not simply those two thousand people in the auditorium who will gain the benefit. The impact of this House goes far beyond. Our Ballet-Opera Hall will provide a world-class facility that will become the focal point for classical musical theatre not just in Canada, but will be one of the most impressive facilities of its kind anywhere. The spinoff effect in terms of jobs to artists, radio, television, recordings, the attraction of talented people to our city, the inevitable growth of satellite companies will all be part of our legacy.

To the end of realizing this dream, the Ballet-Opera Hall Corporation during 1987 intends to launch a campaign in the private sector for more than fifty million dollars towards the cost of this facility and towards an endowment campaign to help ensure that both companies maintain their world-class status.

We are also expecting comparable gifts from governments, making the total cost of this project in excess of one hundred and fifty million.

This will be the largest private-sector campaign ever launched in this country for a project in the arts. I do not minimize the tasks ahead, but I have every confidence that the goal can be achieved.

In 1987, when the need for this project was first identified, the ballet and opera companies raised between them approximately eight hundred thousand dollars from the private sector to support their annual operating budgets. Recognizing their need to grow and contemplating the inevitable move to more adequate premises, both companies in 1986 raised more than five million dollars, an increase of five hundred percent over the past nine years. Our two organizations now raise annually as much as the next eight performing-arts organizations in Canada put together. In other words, in terms of public acceptance of their art as evidenced by financial support from the private sector, the National Ballet Company and Canadian Opera Company stand unequalled.

We intend to build a house that will be a national monument and will stand as the symbol of the pride that we as Canadians have in ourselves. It will stand for centuries, a testament to the perseverance and passion for excellence that built this country and continues to make it great.

Nona Macdonald:

A surname of Marriner, even with its double "R", conjures up visions of tall ships and of sailors bound for unknown shores. Our guest today has upheld a tradition of world travel to exotic climes, although his ship was airborne and the shores he visited are well known.

Sir Neville Marriner has just returned from conducting in Hong Kong and his travel plans include Texas. Is there an orchestra in the world that he hasn't conducted?

His itinerary looks like an international airline brochure. In addition to being founder of the Academy of St. Martin-in-the-Fields in London, he is permanent guest conductor of the national Orchestra in Paris, chief conductor of the Stuttgart Radio Symphony and the Berlin Radio

Orchestra and artistic director of the Meadow Brook Musical Festival in Michigan. He spent seven years as music director of the Minnesota Orchestra.

He is now spearheading a drive to create a music centre for his Academy which still plays concerts in the historic church of St. Martin-in-the-Fields in the very heart of London in Trafalgar Square across from Canada House.

Sir Neville was born in Lincolnshire in 1924. He learned the violin from his father, won scholarships to London's Royal College of Music and the Paris Conservatory. In 1956, he became principal second violin of the London Symphony Orchestra, and a year later formed the chamber ensemble that became known as the Academy of St. Martin-in-the-Fields.

With all his podium-hopping, it is hardly surprising that Sir Neville, who was knighted in 1985, has been named as the most recorded conductor in the world with a discography exceeding 400 titles. Prodigious as this is, let me add that he scores, too, as the music director of two acclaimed films: *Amadeus* and *Out of Africa*.

He is in Toronto as guest conductor of the Toronto Symphony. We are honoured to welcome him to our podium for our salute to that international language—music.

Sir Neville Marriner

I must admit to being somewhat overwhelmed by my colleague on the podium. But such an articulate plea for a building for cultural purposes is exactly the sort of thing that I wish to emulate in London at the moment.

The Academy of St. Martin's-in-the-Fields has been homeless since its outset. It started in the drawingroom at home and my wife moved out all the furniture every time we had a rehearsal, and it was just among friends, many of whom have since emigrated to Canada. I believe John Churchill has since returned to England, but the rest of them are still here.

Now we are looking for a building where we can make gramophone records and rehearse up to the standards that modern gramophone requirements need. It is interesting to work with American orchestras, Canadian orchestras, European orchestras, to see how they all differ.

Today I am really picking your pockets. I've been asking people to support my orchestra, to buy tickets to come to all our supporting events.

In Minnesota, I found the most extraordinary enthusiasm for the community in itself, very similar in a smaller way to the appeal that I have just heard from Mr. Jackman. It was very familiar. What I liked about it was that the Minnesota orchestra is being built entirely by the successful business community there. The people who had made their fortunes in the last hundred years in Minnesota felt that the cultural fabric of the community was so important that they should reinvest part of their wealth in the community itself.

It has the Walker Gallery, the Guthrie Theatre, the symphony orchestra and a chamber orchestra. All these things had been made possible by people who had lived there all their lives and, although they themselves would probably admit they were probably tone deaf, weren't in the least bit interested in going to symphony orchestras, would rather stay at home and watch television than go to the theatre, dance didn't appeal to them at all, they *did* feel that they would like their children to be brought up in a community where all these things were available.

So, for seven years I absorbed that attitude even though it was completely alien to me, having spent most of my time in England.

More recently, I've been working in Germany where the orchestra is entirely government funded. We have as much money as we need. If you ask for ten rehearsals, you have ten rehearsals. There is no interference with artistic policy. There are no members of the board who will say they happen to have a niece who plays the piano beautifully.

Rather, there is a great pressure on you particularly to develop contemporary music. One of the great challenges we have there is the perennial problem about how to present contemporary music, how to represent what is happening in your profession today and is going to happen tomorrow. You can expect part of your audience to leave rather smartly if you put too much twentieth-century music into one program.

On one famous occasion in New York when Pierre Goulet was doing one of his more exotic pieces, an irate lady stomped out of the hall after about the first ten minutes, breaking her ankle as she strode up the aisle. But she lay there for the rest of the piece.

One of the great advantages of having a radio orchestra is that you can say you are serving your public well by broadcasting all the contemporary music, but, with the flick of a knob, people can take it or leave it.

To compare the privately resourced orchestra and the publicly funded one is dangerous, because I have the Academy in London that has absolutely no funding at all.

I would not like to alienate either party, the government or the private sector, but we have proudly been able to say that, for the last twenty-five years, we have had absolutely no subsidy from any quarter whatsoever and we've managed to make a profit of about one hundred thousand dollars in most years.

For the orchestra, this accomplishment is quite extraordinary, because, as you know, most orchestras are very labour intensive and the conditions under which they work are fairly secured now in contract form.

In America, every three years I suffered contract negotiations—abysmal confrontations between players and management. They created more bad feeling than I've encountered anywhere else in the world.

In contrast, without any sort of contract, the Academy has survived. It has no security whatsoever. All we do is invite the best players in the country to join us. As you know, some of them have been from Canada, some from European countries. They are all welcome. They are given absolutely no security, not even for the next twenty-four hours. They join us on those conditions; they are playing for their supper.

Of this I heartily approve, although I know there are exceptional circumstances. For instance, in Minnesota, I know that, if someone had uprooted his family from New York or Philadelphia to come to work in Minneapolis, geographically it would have been very hard for him to be fired, a couple of days after he had arrived there, at the whim of the music director. Thus, he did need some protection.

In London, it is not so bad. We have a great deal of employment for musicians, and I think the musicians themselves are not nervous to take on a job such as the one we were offering them.

I have no intention of changing this policy. I would be mortified, I think, if the musicians ever demanded security from me. I think my answer would be:

"Perhaps, if you wanted security, you should have joined another profession."

I know that it's not possible to walk on stage, when you have an audience waiting for you, to find a little notice on someone's chair saying, "I'm sorry the baby kept me awake last night," or "I'm in the process of a divorce."

There are no excuses when you are performing; the public paid its money and expects a performance. I think that perhaps the sort of security the contracts offer induces a complacency that is misplaced in the world of performing arts.

Nevertheless, I promised that I wouldn't talk about musical politics, because I know very little about them here in particular.

It was suggested that I focus on the growth of Canada's place in the performing arts. Well, as a guest, I have very little background and I think perhaps just a comment would be a better thing to do. I'm never quite comfortable to pass judgements when I've only just observed these things from afar. I must say that in only a few days I have been immensely affected by the enthusiasm that I find here.

Overseas, we see the Toronto Symphony on tour and hear it on gramophone records. That is a remarkable step from what it was twenty years ago. A national orchestra is now an international orchestra and you will find that the public all over the world is now anxious to hear the Toronto Symphony play.

I think that in Canada, in fact, you have five major symphony orchestras. Two of them are truly international now and, of course, your National Ballet and Opera are very well known.

Your television theatrical performances have received great acclaim in Europe, whereas perhaps in the old days we used to think in terms of the BBC providing the quality product we were looking for. Now, I think, dramatically speaking, we would look towards Canada for some of the best television programmes that we ever see abroad.

Let me tell you more of my background and that of the Academy. I started in a provincial town in England halfway up on the right-hand side of Lincoln, which boasts of a very fine cathedral. Lincolnshire was on my home territory and I was brought up in the era of competitive music festivals.

I don't know whether you have them here. But, there, annually all the small children were paraded with their instruments to be judged.

I don't think I've ever been more miserable in my life than standing in the wings, age seven, eight, nine, ten, eleven, twelve, year by year, to be judged by the gentleman from London who told you if you were first, second or nowhere.

But eventually I moved on and went to Nottingham and then to far distant places—places as much as fifty miles away from where I lived—generally competing against the same students.

Then I was invited to go to the Royal College of Music. I picked a bad year. It was 1939-40 and quite noisy in London then. I spent a great deal of time on the ground or in the cinema that I recently revisited. In fact, in the last month, for the first time, I went back after all those years to sit in the same cinema, bringing back many memories, such as one of hoping that the cinema was louder than the noise outside.

I was then inducted into the army and put into a brigade that split itself up into small groups. I was a most unsuccessful soldier; I think I endured three trips across the Channel and then was put into hospital rather smartly, the best thing that happened to me in my life. It was six weeks before D-Day and I was tucked away in a hospital bed nicely out of trouble.

I stayed there for a few months and met a man named

Robert Thurston Dodd, who was in the next bed. He was a Cambridge mathematician whose airplane had fallen down somewhere in France and he'd been fished out. We discussed our intentions over the next five months.

Now Thurston Dodd may mean nothing to you, but, in fact, he became England's first real musicologist who studied seventeenth and eighteenth-century music in detail. When the war ended, he went off to Brussels to study musicology; I went off to Paris to try to improve my violin playing. We met again and he really got me interested in seventeenth and eighteenth-century music and performing conventions.

Nowadays orchestras proliferate what are called "Stone Age Orchestras" by the rather cynical musical profession, but more respectfully "old instrument orchestras." They play music on original instruments it was originally written for. I joined one.

That experience stimulated a certain amount of independence. I did not want to be a member of a symphony orchestra—no one wants to be a member of a symphony orchestra really. As Sir Thomas Beecham said, "They are all disappointed soloists," and it's quite true. One of the hardest things is to commit yourself to playing in a large organization.

I stayed away from it as long as I could, learning to play chamber music and seventeenth and eighteenth-century music. Eventually, when I wanted to get married, I thought perhaps I should have a more secure income and joined the London Symphony Orchestra. Well, one year in a symphony orchestra is enough for anyone if you're a violin player. You are one of about thirty similar animals, all being told by a conductor to play music his way. All your years of training to be an independent individual go by the board; you are just like a herd of brainless animals being made to play the same way.

So I studied about a year. And then several others within the orchestra thought we needed a little more responsibility, individual responsibility. So we created a small group that started in our drawingroom, about thirteen of us, a good number, and we played just for pleasure. The keyboard player—the man who played the harpsichord for us—was a man called John Churchill, who was the music director of St. Martin-in-the-Fields.

The church is no longer in the fields, as you know; it is in the middle of Trafalgar Square. It used to be a sort of local church for the Palace in the seventeenth century and then all the area around the Palace was a park, but it has long since been overbuilt. So St. Martin-in-the-Fields is now in probably the busiest part of London.

At any rate, John said:

"If you want to give a concert, why don't we play in the church, maybe after the service one night. There's no one there and people just drop in to keep warm."

So we gave our first concert there. None of us was paid, of course. There was no money involved. Sure enough, there were about twenty people there, including strangely enough, a rather eccentric Australian sheepfarmer, a lady whose passion was seventeenth and eighteenth-century music. She had already started a publishing company in Paris called Louis of Leér and she invited us to be the first people to make a gramophone recording for her.

To be offered a gramophone record after our first concert was exciting. We always used to say she had to kill a sheep every time she wanted to make a gramophone record, just to pay us off. We made three records for her and they became visiting cards for the orchestra around the world.

Our good fortune snowballed. Once you've made a record, people come and ask you to play, and, the more people ask you to play, the more record companies are interested in making your records. We just happened to capitalize on this at exactly the right time.

The church very quickly became the wrong place for us to play. First of all, it holds only six hundred people. It's too noisy to make records in. You can't even broadcast from there, it's so noisy. The buses come thundering down the nave pretty well and also there are a number of local inhabitants who virtually live there. The church is most remarkable for its social outreach. It looks after drunks, drug addicts, poor and needy, out-of-work actors and musicians—anyone can drop in there.

There have been occasions when we were giving concerts when people would feel that, because they slept there, they were entitled to that seat rather than paying customers.

In fact, we were waiting one day to give a performance of the *St. Matthew Passion*, and, in a little green room at the back, a chap appeared brandishing a knife and demanding that he should see one of the vergers there, really a terrifying event. The verger came along and said:

"Oh, Fred, please put it away; you are not impressing anyone."

He was used to this man who came in regularly to demand cash for whatever he needed at that particular time.

It is a rather exceptional building in which to try to give concerts.

So we have at last, after twenty-five years, moved out of there and now we are going down to a place at Wapping of ill repute for all of you who are in the publishing business. You know that Mr. Murdoch and his *Times* newspaper are imprisoned down there at the moment by all those pickets. But we have an old pumping-station that we are going to convert at considerable expense.

We have no idea of where we are going to get the money. It's going to cost us five million pounds and we haven't even thought about it yet but, somehow, with musical adventures like this, there are always people who come to your rescue. We are full of faith.

The models of the building are now on show at the Royal Festival Hall. Any of you who are going to London should have a look at them.

What we need is a sort of studio where we can make high-fidelity recordings in peace and quiet away from aircraft and Underground and the general public activity. We can have it by the river.

We're just as intent on getting it as you are on getting your building. One of the nicest things about coming here is to have such an impassioned plea as this not falling on stony ground. I can see by the way you responded to Mr. Jackman that you are going to support him to the end of the road.

If at any time, sir, you can come and spend a week or two with us, we could use some of your style and some of your articulate pleading on our behalf. I am very enthusiastic about what I have seen in Toronto this week. When I leave on Sunday, I will take a great deal of the optimism that I found in Canada with me. I hope I can convert it into something practical.

The appreciation of the meeting was expressed by Montague Larkin, a Director of The Empire Club of Canada.

February 12, 1987

The Honourable Jean Charest, P.C., M.P.

Minister of State for Youth

"YES, THINGS REALLY HAVE CHANGED"

Chairman: **Nona Macdonald**
President

Introduction:

Youth is described variously as flaming, fiery, or a flower blooming. The metaphors are endless, and the middle-aged have fantasies about their "salad days"; but youth, great and enviable as it is as a phase in a lifetime, has its own set of problems.

Who, better than our speaker, to know both sides of the coin? He is forever famous as the youngest cabinet minister in the history of Canada. He faces a most difficult assignment.

Jean Charest, 28 on June 30, 1986, was appointed Minister of State for Youth by Prime Minster Brian Mulroney. He obtained his law degree at the University of Sherbrooke in 1980, and is a member of the Quebec Bar Association and the Canadian Bar Association with special interests in civil liberties and criminal law.

In 1984, Mr. Charest was elected Progressive Conservative MP for the Sherbrooke-Lennoxville riding and became Assistant Deputy Chairman of Committees of the House of Commons. He has been Vice-Chairman of the Canada-U.S. Inter-Parliamentary Group, and, on July 4, 1986, was appointed to the Cabinet Committee on Federal-Provincial Relations.

Mr. Charest and his wife, Michele Dionne, have one child.

Honourable Jean Charest

According to a recent issue of *The Economist*, "in another decade, youth unemployment will have vanished." In making such a statement, *The Economist* is asserting forecasts based upon economic performance, the demographics of a declining youth population and the combined effects that the passage of time will have on youth unemployment.

So you may ask, why am I, as the Minister of State for Youth, here? I'm here because right now youth unemployment in Canada is a serious economic and social problem. Today some 418,000 people aged 15 to 24 are unemployed. That's an unemployment rate of sixteen percent, almost twice as high as the rate for those over 25.

I'm here because large numbers of young people are experiencing difficulty in making the transition from school to work—their skills don't match employer requirements.

I'm here because we must recognize that the world economy and Canada's competitive position is changing. In turn, the world of work is changing. We want a highly skilled and productive labour force capable of the flexibility necessary to accommodate rapidly changing technology. We want a labour force capable of creating products and providing services that can compete effectively in world markets. Therefore, we must make sure that youth who enter that labour force are ready to compete.

I am not here because there is a lack of willingness or commitment to address the problems of youth. I am not here because the youth of our nation are lazy or directionless, or lost. Nor am I here because of what I believe to be a lack of consensus as to what we should do. And finally, I am not here because I am prepared to wait to find out whether *The Economist* is right.

We can't afford to allow the mere passage of time and the forces of demographics to address a problem, as they see it, of statistics. The costs are too high.

The present rate of youth unemployment which forecasters at the Economic Council and the Conference Board suggest will continue for at least five years, involves substantial costs to society.

Youth unemployment costs the federal, provincial, and municipal governments close to three billion dollars annually in unemployment insurance payments, welfare, and remedial youth programs. The long-term costs are incalculable.

Social researchers document the devastating effects of unemployment on psychological wellbeing. These include the development of apathy, resignation, self-doubt, depression, lowered self-esteem and fatalities.

You may say there is nothing new here, that this is not just today's problem. To a point, you may be right.

Young people have always been more prone to unemployment than workers in general. Over-all, youth unemployment depends to a great extent on the strength of the economy. During periods of economic growth, employment creation for youth tends to be high, while, during periods of weak growth, youth employment tends to fall disproportionately.

In another way, however, things have really changed. Canada faces new competition. There are new ideas, concepts and realities about the world of work combined with the impact of technology on our labour force.

It is now estimated that individuals entering the work force will change their occupation several times in their career. We must be ready to meet the challenges of this future, and that means that we cannot ignore the realities of our present situation.

I've said that currently 418,000 youth are unemployed. Of these, some 40,000 are likely to find work within the next month. These are the recent graduates, those changing jobs for personal reasons or because of market adjustments. That leaves about 378,000 who will not likely find work within a month. Of these, 60,000 will probably remain unemployed for six months or more. Many, many others will have a series of short-term jobs.

In fact we estimate that, right now, there are probably close to a quarter of a million young people who, although employed, are experiencing some difficulty in establishing a stable labour market attachment.

In this group, women will be slightly over-represented, as will those aged 15-19. Geographic location also affects the risk of unemployment among youth. In Newfoundland, they had an unemployment rate, in January, of 32.5 percent compared to 12.3 percent for those in Ontario.

The unemployment of Native youth in Canada is also particularly acute. Currently, estimates among Native youth are as high as three times those for non-Native youth.

But the most striking characteristic of unemployed youth is their education level. Among those who have been unemployed for six months or more, more than half have not completed high school. The message is clear: get a good education.

Where is the bridge between these problems and the changing shape of our country's future, and what is the best course to follow?

For the last several years, these questions have been asked repeatedly by those examining labour market issues. Their answers have been remarkably similar.

- In 1981 the federal Task Force on Labour Market Development, despite an optimistic view of employment prospects in Canada, recommended that more emphasis be placed on easing the transition for youth in general and severely unemployed youth in particular.
- Also, in 1981 the Parliamentary Task Force on Employment Opportunities for the '80s recommended the development of special programmes designed to help potential dropouts.
- In 1985 the Royal Commission on the Economic Union and Development Prospects for Canada (MacDonald Commission) recognized the importance of facilitating the transition of those students who choose to leave school either before or immediately after the acquisition of a secondary school graduation diploma.
- Also in 1985 the report of the Special Senate Committee on

Youth and the New Democratic Task Force on Youth proposed programmes to assist youth in making the transition from school to work.

- A 1985 discussion paper by the Business Council on National Issues recommended that labour market information be improved, better skill training be provided, and labour market mobility encouraged to facilitate the transition from school to work.
- In 1986 the Report of the Newfoundland Commission on Employment and Unemployment (House Report) stated that "The Commission believes that special initiatives are needed to deal with the youth unemployment problem."
- Also in 1986 the Report of the Commission of Inquiry on Unemployment Insurance called for a comprehensive programme that would allow young school dropouts to attain education, skills and work experience.
- And, late last year the Ontario Youth Commissioner, Ken Dryden, again focused public attention on the plight of unemployed young Canadians and the need to assist them in gaining access to the labour market.

So, where do we go from here?

We take up the challenge that the Youth Commissioner put so articulately and passionately to this country, and to its governments. He called for a commitment to the goal of full youth employment.

If ever the time was right to act, it is now, when we have a national consensus. And the consensus is clear.

Canada needs a set of instruments in place to enable *all* youth to make the transition from school to full participation in a highly productive labour force capable of adjusting to technological change and to competition in world markets.

The measures required for a successful transition include pre-employment preparation and information, career counselling, training and work experience.

The introduction of the Canadian Jobs Strategy by the Progressive Conservative Government in 1985 represented a significant step in that direction. It recognized the connection between training and economic performance and put in place a solid infrastructure supporting training activities that permitted broad access by both individuals and employers.

Youth represent a significant proportion of the clientele of all components of the Canadian Jobs Strategy. For the Job Entry component they are the sole clientele. The Job Entry programme combines academic upgrading, job readiness training, employment-specific skill development and work experience placements to enhance the employment opportunities for youth.

When we set up this programme, we wondered whether youth would be interested, because no wage is offered, only a modest allowance. But there are plenty of young people who are anxious to get into a programme offering them a realistic chance to break out of marginal employment.

Ontario's Job Futures Programme is very similar. Although both programmes are relatively recent, early assessments indicate they are experiencing very high success rates. Most of those who enter the programme complete the training course and are successful in finding employment.

For youth, another interesting feature of the Canadian Jobs Strategy is its capacity to fund innovative solutions and to test new approaches to labour market issues. Many of the proposals that have been received relate to entrepreneurship.

There seems to be a growing awareness among Canadians in general and youth in particular of the economic and employment potential of entrepreneurial activity.

For example *La Presse* of Montreal reported that a survey shows that more than half of university students in Quebec expect to work for themselves. And well they should. Small and medium businesses have been largely responsible for Canada's enviable reputation for job creation over the last decade. Many youth have the energy and imagination to enter this field but need some training and support to get started.

With this in mind, my department just contributed ten million dollars to establish Youth Enterprise Centres in nine cities across Canada. And I am pleased to be joined today by

Dian Cohen, who is the chairperson of the National Advisory Board for Youth Enterprise Centres.

The development of the centres, which will assist youth in creating employment for themselves and additional jobs for others, was sponsored by YMCA Canada. They provided their facilities and staff resources and through their community connections gained the participation of the private sector. That's a beginning, but I'd like to see more efforts in this area.

I am also very pleased with the work being done to develop Youth Employment Services (YES Canada) across Canada. I would particularly like to acknowledge the invaluable support of two gentlemen who are here today at the head table: Robert Fleming and Rick Curd.

This programme uses a motivational and corporate outreach approach to increase the labour force attachment of disadvantaged youth. It was developed by a Toronto group and received partial funding from my department in the amount of $2.9 million. As a result, over the next two years, by working together we will help to prepare between 1,000 and 1,250 disadvantaged youth for entry-level jobs.

Another area that has considerable potential is that of apprenticeships. This approach, which has been a particularly effective means of facilitating the transition from school to work in West Germany, has not acquired the scope in Canada that it has in Europe.

The concept deserves closer examination in the Canadian context. In response to federal Government pressures, federal-provincial reviews of the apprenticeship programme are under way. I expect to have the results soon.

We are making progress, but a lot remains to be done. We can't afford to abandon our efforts to bring down the deficit, so there is very little new money available. The only viable solution is to ensure that we spend our money wisely. Where and how do we intervene to gain the greatest payoff? High school dropouts are an obvious focus of attention.

Despite the high correlation between educational attainment and employment opportunities, 100,000 youth fail to complete high school annually. In terms of the youth population, that means that about one-third of all youth in Canada do not finish high school.

Why should this happen? As a country we place a very high value on education. Our per-capita investment in public education is among the highest in the world.

One reason is that many of our young people lack labour market information. They leave school largely unaware of the risks associated with attempting to enter the labour market. I intend to take every opportunity to make them aware of the risks and, where possible, to work with the provinces to help encourage potential dropouts to stay in school. Even high school completion is no assurance of success in the labour market. Youth must have the skills that the marketplace requires if they are to succeed.

Improving the availability of counsellors and counselling tools is one approach. And we take this seriously. For example, for 13 years now, my department has hosted a national conference of vocational counsellors. We also produce publications such as *Job Futures*, which provides data on the expected availability of jobs in selected fields, and software packages such as the one called *Choices*, which offers students help in identifying potential employment areas of interest.

Another publication we offer is the *Hot-100*. I am very excited about this new publication, because it will serve as a guide to the more than 100 federal programmes and services for youth financed by the federal government. Now available to counsellors, teachers and libraries and youth across Canada, it is a comprehensive inventory of all that the federal Government is doing for youth and it is free.

But I think the issue is more fundamental. Compared to West Germany, France and the U.K., education, training and industry in Canada are relatively isolated activities. I'm not the only person worried about this. There are several provincial initiatives that will be examined, but the separation remains very real.

This split is, in part, unavoidable as the Constitution gives the provinces jurisdiction over education and the federal government jurisdiction over national economic policy. As well, through the 1960s and 1970s we had become complacent as a relatively buoyant economy created enough new jobs. There was no reason for business to build links with the education system and the education system had no responsibility for placing its graduates, let alone its dropouts.

Both levels of government were relatively affluent and, since the market was working, there was little apparent need for special government initiatives, let alone for initiatives involving strong co-operative and co-ordinated efforts by governments and business. Growth seemed to be taking care of our problems. But the recent recession changed that.

Unemployment rose, particularly among youth. But, ironically, business began to experience difficulty in hiring qualified young people.

There is more competition for jobs. Business is beginning to make its needs known in a general way by raising the grade-level requirements for entry-level jobs. Current studies by the Business Task Force on Literacy indicate that industries are increasingly identifying grade 12 as a prerequisite for entry-level jobs in mining, manufacturing, automotive and retailing and grade 10 and 11 for apprenticeship trades. Yet some 300,000 of your youth lack basic literacy skills.

This demand for higher skill levels can be expected to continue as Canada struggles to improve its competitive position internationally. I don't need to emphasize to you the importance of the challenge when one in every three jobs in Canada, an estimated three million, is directly related to exports and the European Management Forum's Competitive Report ranked Canada tenth in the adequacy of vocational training and tenth in flexibility of the labour force to retrain out of twenty-two countries.

As a result of this increased pressure, there are more cases in which direct relationships between business and schools are developing. Co-operative education involving work terms while at school is one approach that has been in place for some time.

In Calgary, an experiment is under way whereby local businesses "adopt" local schools. In this way, potential employers have some influence on the curriculum and students learn how businesses operate, what job opportunities exist and the skills they require.

Although it is too early to assess, this particular experience in some American cities is extremely encouraging. I might add the idea seems particularly suited to a highly diversified city such as Toronto.

Greater effort and imagination is necessary in order to develop other creative approaches. The role of organized labour should not be disregarded. They, as much as employers, are in a position to make youth aware of the advantages and disadvantages of particular employment choices.

Other countries are also struggling with the question of how best to help youth make the transition from school to work. What can we learn from their experiences?

West Germany, for example, has long had in place an extensive occupational training system, similar to an apprenticeship arrangement, which combines formal education with on-the-job training. This system, which covers approximately 440 occupations, has been effective in managing the school-to-work transition for a large proportion of German youth—1.8 million youth participate in it now.

Its success is due to the co-operative efforts among employer associations, chambers of commerce and labour unions. The role of the central government has been almost exclusively to create an environment in which such co-operative efforts flourish and to mend any cracks that develop in the system.

The Swedish approach is somewhat different. Their basic premise is that society has a responsibility for the progress of young people during the transition from school to work. Their programmes provide young people up to the age of twenty with full-time secondary education, or vocational training, or work in a special youth job.

Although initially the emphasis in Sweden was mainly on finding temporary jobs for young people who left the school system, the current trend is to place greater emphasis on basic education and specific training. In fact, young people are increasingly being encouraged to return to school.

The German and Swedish experiences cannot be transplanted to Canada, given the differences in our societies. But I draw one key lesson: they depend for their success on a national commitment that involves governments, business and unions.

I could go on at some length describing the approaches of Britain or Australia, both of which have adopted comprehensive strategies to address the difficulties experienced by youth in entering the labour market. But I think I've made my point.

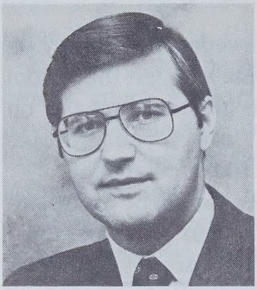
It is not the specifics of these programmes, although these too are interesting, that makes them work; it is the commitment and co-operation among all sectors of the societies.

I am convinced that, in general, youth have the motivation to take advantage of opportunities. Our challenge is to develop these opportunities for our youth and together with them.

In closing, let me remind you that fifteen months ago Governor General Jeanne Sauvé championed the cause of youth here in this forum. She stressed that we must challenge youth to take the responsibility for their future into their own hands, and that we must provide them with the means and opportunities to do so.

We are beginning to meet that challenge. Let us continue to build.

The appreciation of the meeting was expressed by Blake C. Goldring, a Director of The Empire Club of Canada.



February 19, 1987

George B. Weber

Secretary General, The Canadian Red Cross Society

"RED CROSS AT THE CROSSROADS"

Chairman: **Nona Macdonald**
President

Introduction:

At this moment, in the comfort of this room, we are untouched by the chaos that prevails in so many corners of the world. Our guest speaker knows first hand about the suffering and deprivation of those victims of war, plague, famine and political upheaval. Perhaps it is time for us to take stock of the Red Cross, in itself an empire on which the sun never sets.

It is my view that, both at home and abroad, this organisation with its history and tradition is taken too much for granted. It is fortunate that one of Canada's contributions is its young, dynamic Secretary General. George Weber took on the appointment in 1983 at the age of 37—the youngest ever to hold this position.

He is responsible for more than five thousand employees nationwide, a budget of some two hundred million dollars, the administration of sixteen health and community services programmes in Canada, international disaster-relief operations, and the future development of the Canadian Red Cross.

Mr. Weber's affiliation dates back to his formative years when he joined the Quebec Division's Water Safety Programme. In 1973, he volunteered for a special International Red Cross relief operation in Vietnam. He then joined the staff of the Geneva-based league of Red Cross and Red Crescent Societies, serving as a relief officer and chief delegate. He was responsible for Red Cross relief operations and disaster preparedness in Rwanda, Mauritius, Cap Verde, Nepal and the Philippines.

In his role as chief delegate of the League, he negotiated agreements and consulted with senior government and United Nations officials, to improve relief operations in disaster-stricken countries.

In 1976, Mr. Weber returned to Canada to head the Red Cross Department of International Affairs. He was instrumental in organising major fund-raising efforts, including the India cyclone-relief campaign in 1977, the Boat People campaign in 1979, and the Italian earthquake-relief campaign in 1981.

He was promoted to National Director of Programmes, responsible for the development and co-ordination of sixteen Red Cross programmes in Canada.

For his superb achievements, he was the recipient of the Vanier Award as an outstanding young Canadian in 1983. In early 1985, he received the Toastmasters International Communication and Leadership Award.

Mr. Weber holds Bachelor of Education and Master of Arts degrees from McGill University. A deep-sea diver, he is the author of a number of publications in the field of exercise physiology. He is fluent in English, French and Spanish.

Now, recent developments, such as the suspension of the South African Government from the proceedings of the International Red Cross Conference in Geneva, and the Canadian Red Cross Society's growing dependence on funding, are signalling strongly the need for the Canadian Red Cross to reassert its fundamental identity. But let George tell it. Mr. Weber may we hear your perspective: "Red Cross at the Crossroads."

George B. Weber

It is indeed an honour for me to have been invited to address The Empire Club. Although, I must say it is somewhat unsettling, knowing that seated in the room are members of the Red Cross Board of Directors and staff, who may never let me forget what I say today.

Before I begin my speech, I'd like to ask all war veterans in the audience to please stand up at their places, and remain standing.

Now, would everyone who has ever taken a Red Cross First Aid or Water Safety course please stand?

Would those who have ever volunteered for the Red Cross, are Red Cross employees or have ever made a donation to a Red Cross International appeal, a local Red Cross or United Way campaign, please join those already standing.?

And finally, of those still seated, if you have ever donated blood or received a blood transfusion, would you also please stand?

Ladies and gentlemen, it gives me great pleasure as Secretary General to dedicate my presentation to the constituents of the Red Cross. Please be seated.

The red cross is probably the best known and most easily recognized symbol in the world today. While many people are not fully aware of all the activities of the Red Cross, I think I can assume that it is known to most of you, either in connection with disaster relief, or as the promoter of the Geneva Conventions; as First Aid or Homemaker Services; or as blood-donor clinics or swimming lessons.

The mandate of the Red Cross is simple—to protect life and health and ensure respect for the human being. Yet, the Red Cross is complex due to its diversity and size. Let me briefly outline the three components of what we call the International Red Cross:

i) The International Committee of the Red Cross (or the ICRC) is an independent, Geneva-based body, composed of Swiss citizens and concerned mainly with victims of conflict and war;

ii) The League of Red Cross and Red Crescent Societies is the federation of national societies, which also has its secretariat in Geneva. The League assists the societies in their development and co-ordinates activities such as international relief related to natural disasters; and

iii) 144 recognised national Red Cross or Red Crescent Societies around the world whose activities in their own countries include for the most part, disaster relief, health and welfare.

Collectively, we are a family of some two hundred and fifty million volunteers and staff bound together by our common ideals and the seven basic principles of humanity, impartiality, neutrality, independence, voluntary service, unity and universality.

But rather than dwell on our structure and all our activities, I'd like to shed some light on two things:

1. The uniqueness of the Red Cross as a humanitarian organisation, here in Canada and around the world; and
2. The importance of ensuring that we do not lose sight of the true role of the Red Cross in the process of today's socio-economic restructuring, thereby putting it in jeopardy of being lost forever.

Let me briefly set the scene. The Red Cross was born rendering First Aid on the battlefield of Solferino in Northern Italy 128 years ago. Henry Dunant, a Swiss businessman founded the Red Cross movement after seeing forty thousand wounded soldiers left to die in the aftermath of one of the bloodiest battles of the time. He organised local villagers as voluntary First Aiders and laboured three weeks to relieve the terrible suffering.

Some decades earlier, Napoleon Bonaparte had spoken these heroic words: "Soldiers are soldiers and are meant to die." Yet, when Dunant wrote the book *A Memory of Solferino*, outlining a proposal for volunteer relief societies and an international treaty governing the care of the wounded, the ideas were enthusiastically embraced by the political and military leaders of the day.

By 1864, the Red Cross movement was well on its way. An armband showing a red cross on a white field had been devised as a protective symbol—the Swiss flag with colours reversed, in honour of Henry Dunant. Twelve nations had signed the ten articles comprising the First Geneva convention, the beginning of International Humanitarian Law, the guiding principle of which is that those not taking part in the fighting—the sick, wounded, captured, medical personnel, religious personnel, and civilians—should be respected and protected from the effects of armed conflict.

The Red Cross was originally established to provide voluntary assistance to the wounded of the battlefield and to army health services.

In the following century, however, two significant things happened: first, through the training of medics and paramedics, armies learned how to better look after their wounded; and secondly, more significant still, it became more and more difficult to enforce the respect for and to monitor the implementation of the Geneva Conventions, mainly due to the increasing use of destructive weapons, whether by accident, strategic necessity or even systematically, in outright defiance of human worth and dignity. This continues today in certain areas.

Henry Dunant was not a historian or a political scientist. He was a pragmatic businessman who saw a problem and dealt with it. What he did not foresee (even though history is full of precedents), is that, in time of major social, political, and economic restructuring, war or any other form of conflict, becomes an uncontrollable beast.

Man, woman, child, civilian, friend, enemy, religious personnel, atheists, sick or sound are all drawn into the same mess, where any atrocity can become anybody's strategic necessity. If you have seen the movie *Platoon*, you can appreciate that Vietnam veterans had this insight and some have not yet come to terms with it. And many survivors of the World War II concentration camps are still feeling guilty for having survived.

Unknowingly perhaps, the Red Cross met its first crossroads in the face of the fury that broke loose in the first half of this century: the Russian Revolution, World War I, World War II, and the atomic bomb. The crossroads offered a choice between the total defeat of humanitarianism *OR* the maintenance of humanitarian effort, no matter how small in comparison with the magnitude of suffering.

During the First and Second World Wars, the Red Cross provided medical treatment to the wounded. We visited and tried to insure the humane treatment of thousands of prisoners of war. During both wars, the Canadian Red Cross raised money for medical treatment of the wounded, sent millions of food packages, provided clothing and relief goods for civilians and sent qualified medical and other personnel overseas.

And what was it that allowed the Red Cross movement to survive the convulsions of the first half of this century? Perhaps the insight that man-made disasters are natural disasters themselves; that it is not for the Red Cross to judge who is right and who is wrong; that, in steering clear of passing judgement, it cannot and must not ally itself with any party to a conflict; that by avoidance of passing judgement and forming alliances in conflict, it can mobilise those human forces that are not driven by desire to gain, but by desire to help. Only such independence can insure the Red Cross's credibility and effectiveness and can evoke the caring and compassionate side of our human nature.

Most of all, it may have been Henry Dunant's fundamental legacy that kept the Red Cross movement alive: that human suffering may have to be seen up close in order to be understood and to invoke an appropriate response to help; that the most important humanitarian transaction takes place on a one-on-one basis; that material help may often be essential but can never be sufficient; and that perhaps, from the personal experience of the helper, will grow a better understanding of the human condition and cures that are fully human indeed.

Equipped with the war experience, the Red Cross ventured into the second half of the century. In 1947, The Canadian Red Cross embarked on the establishment of a National Blood Transfusion Service, based entirely on voluntary blood donations; began extensive homemaker programmes in some provinces; trained millions of Canadians in swimming and water safety, helping to reduce the national drowning rate by half; provided tracing and reunion services to bring families together again; raised funds for victims of natural disasters or conflicts; and initiated a variety of other community programmes.

Internationally, Red Cross continued its humanitarian role, helping victims of volcanic eruptions, floods, droughts, earthquakes and in conflict zones around the world. New and young Societies were established in developing and emerging nations. Throughout the '60s and into the early '70s, the Red Cross seemed to be proceeding well in expanding humanitarian work all over the world. Yet globally, something was happening, unnoticeably—something insidious, yet profound.

For the first time, the world was facing the potential of total destruction. In the persistent shadow of this unimaginable threat, the global restructuring, which started in the first half of this century, is continuing—not with Big Bangs, but in an endless series of small eruptions of violence—with a loss of social values occurring simultaneously with a sharp polarisation of religious, racial, and nationalistic values; unprecedented affluence in Western industrialised nations in contrast with industrial slavery in underdeveloped countries; political block formation, and splintering of nations into small warring factions; economic equations dominating decision-making; "guerrilla warfare" in business competitions; and high suicide rates in the most highly industrialised countries.

No one can seriously believe that all this can take place without enormous human suffering. And if this were not enough, the world is experiencing a deadly disease, an epidemic of unprecedented proportions, that has already claimed thousands of lives in North America, and may claim millions worldwide.

Meanwhile, what has been happening to the Red Cross? Let's start with the international scene. Of the thirty-odd wars or conflicts going on, only one is actually conventional—the Iraq/Iran war. For over two years, the Iranian government refused to allow the International Committee to visit an estimated sixty thousand Iraqui prisoners. These visits fortunately resumed in December. On both sides, as you know, there have been executions, abandonment of wounded on the battlefield, and the indiscriminate bombing of towns and villages.

Since 1945, according to some peace researchers, there have been some one hundred and twenty wars or conflicts and as a result, over thirty-five million people have perished.

With respect to political prisoners, technically and according to international agreement, the ICRC has no legal role other than the right of humanitarian initiative and must try to negotiate its way on the strength of its good name, its neutrality and independence—and the benefits it can provide to victims of this kind.

Still in all, since 1945, Red Cross delegates have visited one half million prisoners not covered by the Geneva Conventions. These include IRA members in Northern Ireland, ETA people in Spain, Solidarity activists in Poland, and prisoners in Uruguay, Argentina and Chile.

But even when the ICRC is admitted by governments and guerrilla groups, its role is not always widely understood or appreciated. Red Cross convoys and hospitals are attacked; delegates are killed or abducted/the ICRC is constantly under the threat of expulsion, which has happened various times in Afghanistan, for example. This means only one thing: more suffering and no protection for the victims.

Then this past fall, it became apparent that the Red Cross was not just encountering a problem in applying humanitarian law, but that a problem had threatened to enter its own organisation. This happened last October at our International Conference in Geneva, a meeting held every four years of representatives from all three components of the Red Cross movement, plus all states (governments) signatory to the Geneva Conventions.

The participation of governments was a significant factor during this conference, because it was the Kenyan government's delegation that introduced a motion to suspend the South African government's delegation, although the South African Red Cross was allowed to remain. The real tragedy was not the motion, which one might rationalise as a result of today's political climate in Africa. The real tragedy was twofold: the result of the vote that passed with a majority (one hundred and fifty-nine for, twenty-three against, eight abstentions); and that the responsibility for this political vote was widely attributed to the Red Cross Movement (whereas it was basically a decision by governments). Fifty-two delegations, including The Canadian Red Cross Society and the ICRC did not take part in the vote, which we believed to be illegal and in violation of Red Cross Statutes and Principles.

The South African government responded by immediately expelling the ICRC from South Africa, where it had been visiting political prisoners since 1969, including black nationalist leader Nelson Mandela, providing financial and material assistance to their families, helping in relief efforts for twenty thousand refugees from Mozambique, and assisting the South African Red Cross with its community programmes in the black townships.

What had happened? The Red Cross had endangered one of its fundamental principles: not to sit in judgement of those who are perceived to cause human suffering and thereby jeopardise the last remaining forum wherein the vital humanitarian link between all peoples is not affected by politics.

And what has been happening to The Canadian Red Cross Society? Today, a major portion of our funds comes from governments, mostly fees for the blood and homemaker services. The balance is from donations to United Ways and Red Cross campaigns across Canada. In looking critically at ourselves through a recently completed Directional Planning process, we have observed among other things, a need to increase public fundraising capability; to augment the number and effectiveness of services that can be provided by volunteers; to have more programmes that address pressing social problems; to decrease the focus on funded and cost-recoverable services; and to avoid the dangers of bureaucracy.

A steady stream of management techniques derived from the profit-making sector has flowed into the Red Cross: efficiency, productivity, short and long-term investment, marketing and feasibility studies—as in any major organisation, such as ours, with an operating budget of two hundred million dollars and seventeen distinct and diverse programmes that touch the lives of an estimated four million Canadians yearly.

Although there is a place for "business-like practices" in humanitarian organisations, the paradigms of private enterprise cannot be simply adopted without modification or maintaining a balanced perspective. The belief systems of the Red Cross must not be compromised.

This is another crossroad for the Red Cross: *to uphold the true meaning of humanitarianism* or to become a commercialised charity or a platform for political dispute; to become a dumping ground for government services no longer considered cost effective by the party in power; to rely on social responsibility payments from corporations and cater to the self-interests of the contributor. In other words, to become another shade of grey in a grey world.

Let us not be foolishly optimistic that all the political, social and economic problems and their victims will find their solution. Yet, all solutions will have to include the human desire to help. We must keep faith in the human capacity for service to mankind.

The real danger for charity and the Red Cross as a humanitarian organisation is perhaps best described by a simple statement made recently by one blood donor: "Blood is the only thing left I am donating freely these days."

So this then is the agenda for The Canadian Red Cross Society: get beyond the crossroads and continue our path into the 21st century by:

1. alleviating human suffering where it is found;
2. getting people to understand human suffering and not just through a TV screen;
3. resisting at all times judgement of those who may have caused suffering, including victims who bring it upon themselves;
4. getting people to help through money and material goods and, most of all, through personal involvement with those who suffer;
5. not building political and economic power through established services, alliances with economic, political or religious forces, and sources of funds associated with conditions inconsistent with Red Cross ethics;
6. ensuring at all times the responsible use of gifts and donations, be it money, blood, or personal time; and
7. doing everything possible to get our younger generations to know that humanitarianism is as important to security

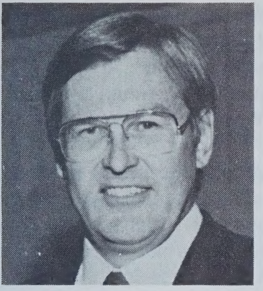
as material wealth or organised social welfare.

A naïve, unrealistic and hopeless agenda? No, it is not. There are still thousands of people who help others when no one else would or could. There were the people who dropped everything to help when a tornado struck Barrie in 1985. The people who helped out at the evacuation centres during the train derailment in Mississauga in 1979. The people who helped evacuate residents of senior citizens' buildings in Saint John, New Brunswick, when gas leaks threatened imminent explosion last spring. The people who, regardless of critical news reports, arranged for food, shelter and clothing for the 155 Tamils who arrived in Canada in August 1986 under questionable circumstances. The people who provide a warm cooked meal for those unable to help themselves. One and a half million blood donors and donors prepared and committed to make a bone-marrow donation when asked.

Can the world afford to lose the Red Cross? The South African government recently reversed its decision and has now allowed the ICRC to remain and to continue its work in South Africa. The ICRC will actively support South Africa's right to participate in the activities and conferences of the International Red Cross.

Ladies and gentlemen, I firmly believe that the Red Cross chose the right direction at the crossroads during the world wars and will do so at our present and future crossroads to ensure that mankind will not lose trust, hope and confidence in the nobler side of human nature.

The appreciation of the meeting was expressed by Robert L. Armstrong, a Past President of The Empire Club of Canada.



February 24, 1987
Joint meeting with The
Canadian Club of Toronto

The Honourable Michael Wilson, P.C., M.P.

Minister of Finance

"THE ECONOMY IN TRANSITION"

Co-Chairmen: **James K. Warrilow**
President, The Canadian Club of Toronto
Nona Macdonald
President, The Empire Club of Canada

James Warrilow:

When Michael Wilson last spoke to a joint meeting of our clubs last September, the stock market plunged in anticipation of depressing news, but what Mr. Wilson actually gave us was level-headed remarks about spending restraints and so the markets perked up immediately after his speech.

As the date for *this* speech approached, I watched the stock market indexes anxiously, well aware of the power Mr. Wilson wields, and indeed, just as I feared, yesterday the TSE composite index dropped dramatically, a total of 53.92 points. However, before you take me to task over this rather dubious interpretation of stock market activity, let me assure you that the experts at *The Financial Post* have explained to me that yesterday's drop in the market was due to uncertainty over Brazil's bank debts and not directly related to Mike Wilson's trip to Toronto.

More seriously, I'm delighted to welcome back one of our own. Michael Wilson is a former Vice-President of The Canadian Club, and his father Harry, who is with us today, is a Past President.

As Minister of Finance, he has one of the toughest jobs in the country, a job he fulfills with determination and tenacity. The present Government is halfway through its third year in office and Mr. Wilson has held the both uncomfortable and controversial position of Minister of Finance throughout the administration. In fact, today's *Toronto Star* says, "If Brian Mulroney was to shuffle his senior ministers tomorrow, he would have great difficulty in finding a replacement for Mr. Wilson. He is just hitting his prime."

Last week, Michael Wilson presented his spring Budget. At the weekend, he represented Canada at the Paris meeting of finance ministers of the six major industrial countries. Monday, he spoke to The Canadian Club in Montreal. If this is Tuesday, it must be Toronto. We are indeed grateful that the Minister could arrange to fit us into his hectic schedule.

We are looking forward to hearing him elaborate on last week's Budget and give us, we hope, some views on the tax reform proposals he is expected to publicise later this spring. Ladies and gentlemen, please welcome the Honourable Michael Wilson.

Honourable Michael Wilson

I am delighted that my parents are here at the head table. My mother has been getting quite a bit of publicity recently, and, for those of you who are wondering, she has read my speech and she has approved of the words that I'm using in the speech.

It's great to be back in Toronto after a very exciting, romantic weekend in Paris. I want to just make a couple of comments on the meeting that we had in Paris before moving on to the other parts of my text that the chairman has referred to.

It was a very important meeting that addressed some quite serious problems and I think much was accomplished. There were some important decisions reached, decisions designed to engender a greater degree of stability in the foreign exchange markets.

More importantly, we made decisions that have resulted in our deciding to deal with the underlying causes of that instability in the exchange markets and, equally importantly, we set in process a series of meetings that will take us from here to the Venice Summit, so that there will be an ongoing reconsideration of the decisions that we've taken to ensure that they are meeting the right objectives.

I think this is important because, after the G-7 meeting last September, we did not have this follow-through with additional meetings. Now we have that, and that will give us an opportunity to review and to build on the decisions we took this past weekend. It was important that Canada was in attendance at that meeting; there were important decisions taken and important business was done, and it was extremely important for us as a country to ensure that our interests were properly accounted for at that meeting, so that we could have an opportunity as well to contribute.

Now, as the chairman has said, I had a Budget last week, my third. It's being described by journalists in a number of ways. I would describe it as a low-profile Budget. I'm sure that Bob Nixon (Ontario Treasurer) is going to have a low-profile Budget a little later on this spring. He's got nothing else in mind but balancing the Budget—good management—but it was designed to be just that.

Many of you in this room are managers, many understand the importance of good management. And good management, like good Budget is not necessarily measured by large numbers of new initiatives.

I think what we measure ourselves by is by setting ourselves objectives and fulfilling those objectives, making sure that we follow along the path we have set for ourselves. In this case, the path was established in November 1984, with the agenda for economic renewal.

We set out our objectives then and since that time we have followed the directions that we established in a very consistent and coherent way. This has not stopped us from taking a number of important decisions as time went by in dealing with the number of the problems facing our country.

Some of them are high-profile spending initiatives, others are nonspending initiatives, but most of them have come forward in the context of the integrated plan that we set out two and one-half years ago. Many of them have been related to dealing with the basic structural problems, improvements in the environment that we want to establish to allow private-sector growth and activity. This is, again, what we were discussing in Paris last weekend: the importance of dealing with the underlying problems facing our country.

When we did the agenda paper two and one-half years ago, we were facing an economy that was in a post-recession limbo. An economy that was in somewhat unstable health and that was losing competitive position relative to some of our trading partners. The agenda didn't pull any punches. It addressed frankly and honestly the crucial economic challenges we were facing at that time.

The most pressing of those challenges was the matter of our fiscal management. We were facing increasing deficits and a mushrooming public debt that had become a serious threat to the economic stability and confidence in our country. To restore that vitality and confidence, we had to reduce the deficit and constrain the growth of public debt.

The agenda also stressed the need for a new direction in public management. Before we were elected, there was too much government intervention in the economy, whether by regulation or by subsidy. This was turning off potential investors, choking off private initiative and creating obstacles to growth. So we set about developing a new approach to the role of government.

We put our faith in the capacity of the private sector to work more effectively and face the challenges facing us in job creation and export growth and development of new economic opportunities. We needed to restructure some of our economic policies and give the private sector that freedom to move, to do the job it could do best.

So the agenda paper was a blueprint for action and that's what we have pursued steadily and consistently for two and one-half years. We made a good deal of progress in that time. In fiscal management, we got the deficit down from $85.5 billion when we came in to $34.4 billion, and to $32 billion this year. Next year, our target is $29.3 billion and that's a drop of 24 percent in just three years.

This progress has helped us to get a better handle on the public debt. When we came into office, the public debt was growing at a rate of twenty-three percent per annum—had been doing so for the previous three or four years.

That growth in the public debt will now be down to eleven percent, but, just as important as reducing the deficits and controlling the debt is how we were doing it. When we took office, government spending was growing at fourteen percent per annum. We've cut that growth rate to an average of 2.8 percent since the start of our mandate. About sixty-nine percent of our actions in getting down the Government deficit have been on the spending side.

It hasn't been a simple or an easy task; it has needed tough decisions. It has needed an ongoing discipline in managing ourselves within that framework that we had established. Having done that, we've been able to face some unforeseen developments. You're very much aware of these: the problems we have had in the West with our farmers and with the oil and gas industries. Despite these unforeseen and somewhat extraordinary pressures, we have been able to bring programme spending for this current fiscal year to hit the target that I set in February 1986 of $89.4 billion.

So, in spite of these difficulties, we haven't been blown off course. We have set our targets, we have adjusted, we have reprioritised and we have met the target that we set for ourselves.

In talking about fiscal management, I hope Canadians will take satisfaction in the progress we are making and see it as more than just reducing some numbers, but see it as a way in which we are making the lives and the futures of Canadian people healthier and more productive, because it has to do with building confidence.

We are re-establishing the fiscal position of the Government of Canada and our ability to manage our finances responsibly. This added confidence is helping Canadians such as you to have confidence in the future so that you can go out and build and grow and create those job opportunities for other Canadians.

It is also important for younger Canadians who are just leaving school to have a sense that their future is there, that it is not going to be burdened by the heavy interest costs that this growing debt will build up. I've been very encouraged in the meetings that I've been having with high school students and university students.

They understand the problem of debt. They understand when I talk about the deficit. They understand that those of us in this room who are getting a little more white in our hair (I blame it all on my father), they understand that we have been receiving services as individuals from the Government of Canada for which we are not paying in taxes. They know that the cost of those services will be borne down the road and that they are the ones who'll be bearing that cost.

Fiscal responsibility has been one of the cornerstones of our programme for economic renewal, but our renewal strategy has always been far broader than that. It has meant reorienting the role of government to provide a better framework for economic growth and the creation of jobs. It has meant making government less of an obstacle to change and to innovation. It has meant adopting policies that incur entrepreneurship and risk taking and create a climate conducive to innovation and to new enterprise.

It has meant striving to make the economy more dynamic, more resilient, more flexible and more competitive internationally. It has meant affirming our faith in the private sector, and has also meant bringing about changes with equity and openness in a manner consistent with Canada's traditions of compassion, tolerance and social justice.

Now the renewal program, when fully implemented, will have an impact on just about every dimension of life in Canada. To date, we've made considerable headway. I want to review some of the progress we have made.

Programmes with problems of regulation have been a major obstacle to economic growth. We have made it a priority to deal with some of those key regulatory problems. We've begun to introduce new business framework legislation. You're aware of the work that we've done on the Competition Act, but also on the Patent Act and, soon to come, the Bankruptcy Act. The Competition Act was legislated last summer and is providing long-overdue stability to the competitive environment.

The Patent Act will lead to a stronger position for intellectual property in Canada and, by supporting this, will lead to a greater degree of investment in research and development. On the regulatory side in energy and the transportation and financial services side, we've again made good progress. The importance of deregulation in the transportation sector cannot be overemphasised, because of the size of the country. In all of the major areas of transportation—air, rail, shipping and trucking—we made progress to provide improved access to safe efficient transportation service at the lowest possible cost.

The national energy programme was our first major achievement in deregulation. We have removed the heavy burden of regulation and the highly discriminatory taxes on that very important sector of our economy. Oil-price deregulations cleared the way for a more market-oriented energy sector. The Western accord and the Atlantic accord have given the private sector the freedom and the scope to take the initiative again in the future. Deregulation of natural gas prices is very important in opening up the market both domestically and internationally.

Before Christmas, my colleague Tom Hawkin released his proposals to modernise the financial services regulations. These new regulations will permit more competition in the industry, will open up more products to people who want to save or invest and do so in an environment that provides a greater degree of protection than in the past for individual savers and investors.

Another way that we are getting government out of the way of the private sector is by privatising Crown corporations that are no longer required to meet public policy goals. Privatisation can bring increased vitality to the companies involved as well as to the economy as a whole.

We can stimulate the performance of the economy but we can also insure a greater degree of assurance for those people who are working in those companies. DeHavilland here is probably one of our best examples of success in privatising companies. We've already privatised eight companies, the most recent being TeleGlobe Canada. We're reviewing possible future moves involving such other Crown corporations and Air Canada and Petro-Canada.

In addition to removing government-made obstacles, we've been promoting private-sector growth in a number of ways. One of the first is in the area of investment, so important to creating jobs right across the country. We wanted to make it clear to people both within and outside Canada that Canada welcomes investment and welcomes foreign investment. Our changes to the Foreign Investment Review Agency and the changed mandate for Investment Canada to encourage investment have been very important in the increase of foreign investment coming to Canada in recent months. This little amount of friendliness has gone a long, long way.

In 1986, three billion dollars of foreign direct investment has come to Canada, seventy percent more than in 1984. Portfolio investment reached a level of something in excess of twenty billion dollars in 1986, about double the level in 1984. Now this isn't just money coming in. It's money coming in and actively working in Canada to create jobs. In many cases, it brings new technology, it brings export opportunities, it is a key part of the success that we have as a country and the success that we've shown in our economic performance. It's a strong indication of the growing international business confidence in our economic management. We've seen this recently in a number of reports—reports from the OECD, the International Monetary Fund, the European Management Foundation and, most recently, the Kinoe Report from Japan.

This Kinoe Report contrasts with a comparable report about ten years ago. Many of you will remember it, the McKeeter Report, which was so damning in its criticism of what we were doing in Canada that it did so much to turn off Japanese and other Far Eastern investment in Canada.

We have also recognised the importance of small business as the epitome of private initiative, and the prime source of new jobs in our economy—about eighty percent.

In both the May 1985 and February 1986 Budgets, I took specific measures to encourage investment in small business because we knew that the small-business community was the bedrock of individual initiative and could be counted upon to perform and create those jobs.

Research and development is clearly a key to future prosperity and economic security for Canadians. Technological know-how and innovation will be crucial if our industries are to stay competitive with the rest of the world. I've introduced changes in previous Budgets to encourage the development of research initiatives in this country, particularly in the private sector. More recently, a week ago yesterday, the Prime Minister held the first meeting of his National Advisory Board on industrial science and technology, which we're counting on to provide us with more ideas on how we can move forward in this important area.

Now all of these initiatives are designed to improve the competitive position of the Canadian economy. We know that is the best way that we can create jobs. If we are going to take advantage of the competitive position, we have to have access to markets and here we've embarked on a two-track approach. One is the multilaterial approach; we've been at the forefront of countries encouraging the start of the multilateral negotiations that got their formal kickoff in Uruguay in September. The other is the negotiations we have under way with the United States. We know that the task is going to take a long time to complete, so it's very important that we move ahead quickly with the discussions with the United States to ensure that we can achieve a comprehensive agreement that offers clear benefits to Canada. I am pleased with the way that the discussions have been going and am confident that we will be able to achieve that type of agreement.

Now, Mr. Chairman, this has given you some indication of the breadth of the programme we are undertaking and if I can make a small commercial announcement—I know you as a publisher would allow me to do this—we have a little booklet that came out with the Budget documents that sets out the range of things that I have been discussing with you today and I encourage you all to read this.

Now all of these initiatives together have been producing a strong economic performance. When I was going over on the plane to Paris this past weekend, I was comparing what we were doing relative to the G-7 countries. I used to do this regularly when I was the finance critic in the early '80s and I found at that time that, in many cases, we were number six or number seven. Right now we are number one or number two and some cases number three, but we are doing well compared to our international trading partners. In real growth, we were number one of the seven last year and, since September 1984, we have been number two, only a shade behind Japan.

In employment growth, we are clearly number one, far outpacing the other countries. Our short-term interest rates are a little bit higher but they have come down to the lowest point that we've seen in ten years. Inflation has been stable around the four-percent level and we look to that to go lower this year. Five-year mortgage rates are down to their lowest level and that, together with the growing consumer confidence has resulted in housing starts at levels in excess of two hundred thousand per annum on an annual basis for the last seven or eight months and that is without the artificial stimulus of any government subsidy programmes. Only the stimulus of individuals with confidence in the future seeing that they're going to be able to afford a house.

That is what this Government is trying to do. That is the essence of what we mean when we're saying that we want to put more confidence in the private sector, more confidence in market forces and see those market forces working. We have a strong record compared to the other countries and we want to build on that record.

Now, Mr. Chairman, let me close with a few words on tax reform. This is a very important initiative in our goal to build our competitive position—and I make that reference to our competitive position because many other countries are going through the same process. We are all very much aware of what is happening in the United States, where reforms were announced last year. But Japan and Germany and a number of the other European countries, Australia and New Zealand are all in various stages of tax reform. So it's very important that we stay in the mainstream of this international movement.

I've been concerned, though, since November 1984 with the number of faults in the existing tax system. The tax burden is unfairly distributed. Rising personal income tax rates have become an increasing deterrent to individual initiative and an obstacle to economic growth.

We have a complex maze of tax preferences and incentives that have created a score of problems and inequities within the tax system. The federal sales tax is seriously flawed. So we set out in the November '84 agenda paper as a key objective our desire to improve the tax system and have been doing so over the course of the past two and one-half years. But as this international movement began to increase, it gave us an opportunity to pull things together and look at the over-all question of tax reform in an integrated way, looking at personal, corporate and sales taxes.

In the process of developing our proposal, which I'll be releasing later this spring, I can't emphasise too much the importance of the consultations. I have been setting forward in a number of speeches the objectives we have been following and the development of our proposal and this has given the private sector an indication of where we are going, what our objectives are, and how to apply those objectives to their own particular circumstances. This has created a good public debate which we have taken advantage of in the formulation of our plans.

I've been very clear as to what the goals are. In each of the three main areas of taxation, we want to lower rates and broaden the tax base; but the way to lower rates is to reduce or eliminate tax preferences. A wide range of tax exemptions and deductions loaded into the tax system by successive governments over the past number of years has to be reviewed, because we know that, the fewer the tax preferences, the broader the tax base and the lower the tax rates. As a result of lowering tax rates by broadening the tax base in this way, a minority of Canadians who have been heavy users of tax preferences would find themselves paying more taxes, but the large majority of individual taxpayers will pay less tax in total.

In addition to lowering personal income tax rates, I want to reduce significantly the number of tax brackets. Lower tax rates would mean that all taxpayers would be able to keep more of the additional dollars that they earn in the future and that is a powerful incentive for productive new economic activity. Fewer tax brackets would make this incentive easier to comprehend while making the system generally simpler to deal with.

I'm also considering the conversion of personal exemptions and some deductions to tax credits. Exemptions provide greater benefits to those in higher tax brackets than to those in lower brackets, so with the system of tax credits, lower-income taxpayers would benefit more than they do now, while higher income earners would benefit less.

Converting exemptions into credits would also reduce the number of low-income persons who now pay personal income tax. As part of the comprehensive tax reform, I also plan to build on the refundable sales tax credit that I introduced in the last Budget. If we increase the credit and pay it frequently, we can make the personal tax system more progressive.

Let me turn now to corporate tax reforms.

I want to ensure that profitable corporations pay their fair share of tax. As many of you know, there has been a large backlog of corporate tax losses from the recession. These have had, and will continue to have, an impact on corporate income tax revenues. I've expressed my concern about trade-in and losses by some companies and its impact, not only on the share of the tax burden carried by profitable corporations, but also on the stability of the tax system.

Reducing tax preference is the key to keeping corporate tax rates competitive with those in other countries. We must ensure that the corporate income tax structure is positive for our efforts to maintain and enhance the job-creating ability of our economy.

And this same goal is central to our efforts to develop a fair and more effective federal sales tax system. The current federal sales tax is too narrowly based and, as a result, the rates of tax are higher than they should be and they bear too heavily on a relatively small proportion of manufactured products. Even worse for a country so dependent on international trade, the federal sales tax bears less heavily on imports than on domestic goods and there is also a hidden tax on Canadian exports. The result is that it's costing Canadians valuable jobs. Canada needs a better-designed federal sales tax, with a broader base and lower rates, that gives equal treatment to a wide range of goods and services.

As I noted a moment ago, an integral part of sales-tax reform must be the inclusion of a generous refundable sales tax credit; that is essential to the fairness of that tax system.

So to sum up. Mr. Chairman, our proposal for comprehensive tax reform will be designed to make our tax system fairer and more effective. As an integral part of our renewal programme, it will help strengthen the economy and improve the quality of Canadian society. In my remarks today, I've tried to bring you up to date on the progress we have made on our programme for economic renewal.

We have a wide panorama of economic policies, but the key objective in all of these is to improve the competitive position of the Canadian economy. That has been the essence of the coherent, consistent strategy we have been following during that time. As we continue to implement the various parts of this strategy, we can expect to see further improvement in the way our economy performs and in our ability to compete with the rest of the world. Sound, steady management will continue to be essential. We intend to provide that type of management, as we have done throughout our mandate. But there is still much to be done. Tax reform will be a big job. But I believe this Government is up to that challenge and I am also fully confident that Canadians are also up to that challenge.

Nona Macdonald, President of The Empire Club of Canada:

Once again the Honourable Michael Wilson makes history at The Empire and Canadian Clubs. This capacity audience bears witness to that. Indeed, we may have to hold a future meeting with the Minister at Maple Leaf Gardens in order to accommodate all those who wish to hear him.

Once again, too, you have presented us with sound and solid evidence that your financial management is in keeping with the projections of last September, when you spoke to both our clubs. When I thanked you at that time, I commended you for steering us on an even keel, and I commend you again for staying the course in those frequently rough waters both at home and abroad.

We thank you for reviewing these encouraging economic facts with your usual clarity and thanks, too, to your staff and to the staff of The Canadian Club of Toronto and The Empire Club of Canada for arranging this mammoth meeting.

It has been an honour to join you at this head table of distinguished guests, and, on behalf of all, may I emphasise our appreciation today and our anticipation for that tomorrow when you announce the details of the tax reforms that you have previewed today.

February 26, 1987

The Honourable Robert Nixon

Treasurer of Ontario

"THE IMPACT OF FEDERAL TAX REFORM ON THE PROVINCE OF ONTARIO"

Chairman: **Nona Macdonald**
President

Introduction:

It is well known around Queen's Park that, for any charity drive, The Honourable Robert Nixon will produce a few loaves of his own homemade bread for raffle or bake sale. Today, we've baked something for the baker in celebration of his first twenty-five years in office.

For a Provincial Treasurer who oversees the flow of monies both in and out of government hands, what could have been more appropriate than a cake decorated with the dollar sign? Appropriate, too, in that the Royal York Hotel's chef created it when Mr. Nixon's son, Harry, who is at the head table, is a corporate sales director. Now the radio and TV audience weren't tuned in for our cake-cutting, but that doesn't diminish their share of the celebration honouring Mr. Nixon's twenty-fifth anniversary.

Robert Fletcher Nixon began his political career in 1962 when elected Provincial Member for Brant-Oxford-Norfolk. On January 16, 1967, he won the leadership of the Liberal Party in Ontario, carrying on his father's political legacy. One-time Liberal Premier of Ontario, Harry Nixon began his career in 1919, which means there has been a Nixon in office for sixty-eight consecutive years. You have two sons and two daughters; can't you persuade at least one of them to follow in the family footsteps, sir?

In the '50s, Bob Nixon taught high school in Sault Ste. Marie and Toronto.

He holds an Honour Bachelor of Science and an Honorary Doctor of Laws degree from McMaster University. He is truly from the "back forty" as a real and active farmer operating two hundred and fifty acres west of Toronto, but in the legislature as leader of the opposition, Mr. Nixon has developed expert knowledge of parliamentary procedure and now is Government House Leader. His reputation for fiscal responsibility, social compassion and commitment to more open government makes him a key minister in Premier David Peterson's Cabinet. He's a man of many portfolios: not only is he Treasurer and Government House Leader, but he is also Minister of Economics, Minister of Revenue, and acting chairman of the Management Board—and this is only his first twenty-five years!

Ladies and gentlemen: The Honourable Robert Nixon.

Honourable Robert Nixon

Thank you, Madam President, and ladies and gentlemen. I appreciate your presence here today.

The fact that there are a few pieces of cake left over is an indication, in my view, of, let's say, satisfaction and lack of concern with the finances of the province, and that is certainly a positive way to look at it.

I wanted also to comment on the speech, a very fine speech that I heard earlier this week, by the Minister of Finance for Canada, Michael Wilson.

He brought down his Budget, his third Budget, just a couple of weeks ago, and the impact of those fiscal decisions on this jurisdiction are certainly of great interest to all of us as taxpayers and residents of Ontario, citizens of Canada.

The description that I think was somewhat pejorative was that perhaps it was not an exciting budget.

But certainly, as a Treasurer myself, I think those are the very best kind.

It is the exciting Budgets that really disturb the taxpayers and trouble the politicians and disrupt business. The steady evolution of policy surely is a more useful and healthy way to approach these particular changing times.

But the impact of Mike Wilson's Budget here is very important, of course.

In actual dollar terms in Ontario's Budget itself, it amounts to only about eight million dollars, but that doesn't mean that substantial additional revenues are not taken out of our economy, for what Mike Wilson would say, if he were here, would be for very good purposes. He added a cent per litre to the gasoline tax, which is worth about one hundred and thirty million dollars a year just in Ontario.

You may recall there was an additional cent applied in his previous Budget that went into operation about the first day of January of this year, so that is the second cent per litre on gasoline.

For reasons that are obscure, most of the gasoline companies have taken the imposition of this additional rather modest change in the tax to raise their prices by three to four cents a litre.

We buy our gas as we are on our way to the office.

In St. Georges (I often talk about the views expressed by the boys around Earl's Shell Service in St. Georges and it is where I get lots of background material that I use in my decision-making process) the price board out there this morning, I think, said 46.7 cents. So these prices have escalated quite substantially and this has generally caught on across the province and, presumably, across the country and it will have a substantial impact on the economy.

The intention, certainly, of the Minister of Finance was not to trigger that increase.

As a matter of fact, he is quoted as saying that, if you don't like paying that high a price, you should boycott it and buy elsewhere, but, since the Government's very own gas company, PetroCan, is leading the charge in this increase, it is a little difficult to do that, particularly when you see their announced profits for the past year being up something like twenty-eight percent, so that these things do have a tremendous impact.

I am criticised from time to time by my friends opposite in the Legislature for having a gasoline tax that is too rich by half.

I have to defend myself substantially and I won't make that particular speech here. I will hire my own hall.

But you would be interested to note that our tax, at 8.3 cents a litre, returns us just a bit over one billion dollars a year.

While we are not in the habit of allocating specific revenues in the province, you should know that we spend just under two billion dollars on building our roads and maintaining them.

There is one person here who knows all about that and would probably like to get up and get into the argument, a former Minister of Transportation, Jim Snow, whom you can hardly recognize with the luxuriant growth on his chin, but there he is.

But still our gasoline tax, while it is not allocated, either now or in Jim's time, does go in large measure to support a good road system developed over the years and one we want to maintain and expand.

There is one aspect of the Budget that I found particularly interesting and that is the Decision by the Minister of Finance to speed up the payments of personal income tax collections on a regular basis from corporations and companies that return more than fifteen thousand dollars a month.

That alone has a significant impact here on our provincial revenues, since Mike Wilson and his colleague, the Minister of Revenue federally, is our tax collector as well for personal income tax.

If he were to pass on the speed-up to us, his clients in this regard, the additional revenues on a one-time-only basis would be two hundred million dollars.

That is why we are contacting him rather formally and without delay, to be sure he knows that we want our share of the revenues that he is collecting.

I think the most important references he made in his Budget really was a reference to something yet to come. He indicated that there would be a White Paper on tax reform available in the spring, and we are awaiting that with the greatest of interest.

I should say that one of the most interesting experiences I have as a relatively new Treasurer is to join a group of Treasurers, chaired by Mike Wilson, the group meets on a fairly regular basis, and we have a chance to compare our problems and the situations that we are experiencing, but particularly we have had a chance to discuss with Mr. Wilson how the provinces should and would desire to fit into the proposals for tax reform that are coming from the federal Minister of Finance and the federal Government.

These were largely triggered, and certainly pushed along with some enthusiasm, by the initiative taken by the American government in tax reforms just going into effect for this taxation year.

The reduction in personal income tax is particularly important and our people are expecting a similar consideration.

They want to see that the tax system is made fairer and simpler, more readily understood, and with the distribution of taxation responsibilities that is seen to be up to the mark as far as modern community requirements are concerned.

Mr. Wilson has indicated that he, too, intends to reduce the rates of personal income tax, and since we are partners in a tax-collection agreement, we will obviously be sharing in that situation.

I am sure you are aware that, going well back into the middle of the third decade, 1935-36, a tax-collection agreement was entered into whereby the Province of Ontario establishes a provincial income tax and the rate of taxation, and the Government of Canada, in order that there not be duplication of tax administration, does the collection for us and sends it to us.

They also make a projection, that we follow in our budgetary predictions, as to what that amount of tax will be and this year their projection was a bit low of the mark. Because of the buoyancy of the Ontario economy, the fact that our employment levels have improved substantially, that the unemployment level is now 6.6 percent in Ontario, whereas without Ontario's inclusion, it is over eleven percent in the rest of Canada. Also the wage increases have been substantial so that our revenues were substantially higher than predicted at that time.

But the whole concept of tax reform must involve us because of our traditions of co-operation with the Government of Canada. The last time there was an attempt to tax reform, going back into the '60s and early '70s, the provinces, and particularly Ontario, was very much concerned that the initiatives that were proposed at the federal level would have a negative and deleterious effect on our economy. For that reason, some of those changes were not brought forward and others were brought forward in a different way.

There is no doubt that the attitude and approach by the Province of Ontario in any federal initiative involving the tax base is considered seriously. There is no doubt about that, and, for that reason, Mr. Wilson is consulting with the treasurers, I believe, in a very useful way.

His idea to reduce personal income tax and also to adjust corporation tax rates so that we are going to be as competitive as possible and be seen to be competitive with the American jurisdictions is another factor that we have to take into direct consideration. The Americans, while they reduce their corporation tax rates, remove many of the preferences and loopholes. They had many more than we have, but they actually paid by increasing corporation tax revenues in this way while still simplifying and adjusting their rates.

The situation is a bit different in Canada and, as nearly as I can tell, it is the intent of the federal initiative to really pay the cost of tax reform by substantially renovating our federal sales tax or manufactures tax as they sometimes call it. In order to have a substantial increase in revenue at the federal level from sales tax, Mr. Wilson is proposing something that he chooses to call a business transfer tax. Those of you in business, if this goes forward, will certainly know all about that in short order. When we talk about tax reform being as simple as possible and understandable, I know in looking at the various proposals for this type of tax, that there be many months of anguish while business people accommodate themselves to the difficulties and complexities of something that is entirely new. But it is a productive tax indeed and, of course, the tail-end this province and all of the other provinces except Alberta slap on a retail sales tax, in our instance of seven percent, which simply is the last withdrawal of revenue in the transferences of articles as they are manufactured and finally sold.

For the business transfer tax, of course, the thought is whether it would encompass far more than articles but most services as well. So those of you who are brokers or lawyers might very well expect at the bottom of your bill to add on a small percentage for Michael Wilson in which, no doubt, the provinces will share in some degree.

But when I talk about corporation taxes, we in this jurisdiction must be very careful that our competitive stance is maintained as well. Our growth rates for corporate investments have far exceeded those of the other provinces and most of the states in the northeastern part of the United States. As a matter of fact, the economists in the Treasury were able to tell me that we are among the fastest growing jurisdictions in North America by way of job creation and investments on a per-capita basis. Massachusetts perhaps has a lower unemployment level and is a bit ahead of us in certain developments.

The number of things that you would be familiar with has substantially triggered that. There is no doubt that the dramatic decrease in world prices for petroleum gave it a stimulus that was basically unexpected fifteen months ago and that dramatic drop has meant an infusion of available capital and other operating money that otherwise would not have been there.

The economists tell me that the bill for Ontario that was expected before the drop was in excess of six billion dollars for petroleum other than natural gas, and, because of that drop, this year the actual expenditure was something less than four billion dollars and that gave a certain stimulus to the economy that is reflected in many of the decisions you people have been part of. At the same time, the relative low value of the Canadian dollar compared to the American dollar has given us a great lift as well. It is now up just to about seventy-five cents compared to the American dollar and that is the rate where, frankly, we begin to be concerned a bit at it cutting into our competitive edge. And with world oil prices the way they were, and with interest rates dropping below ten percent, now a prime rate of about 9.5, there is a combination for stimulation and competitiveness that has put us as leaders in the world. And those people who control the capital pools in Japan and elsewhere look at us as really a prime contender for their investment.

Over the last year and eighteen months, you know that General Motors itself has made a huge commitment for the improvement of manufacturing facilities in Oshawa, that Toyota has decided to go in a green-field development of a new factory in Cambridge. I drove by there yesterday and the construction is under way, the land is being cleared, the cranes are being erected and everything is go.

In Ingersoll, GM once again, in association with Suzuki, is undertaking a new plant that involves the investment of something like five to six hundred million dollars and is going to change many of the prospects in Southwestern Ontario for young men and women in their career choices and work involvement.

These things are happening as a result of the competitive position that Ontario has.

As Treasurer, I take no credit for that; I simply point out to you that this is a good time for entrepreneurs and people who are contemplating investment to go forward in that regard.

The Government doesn't absolve you from the risk in anyway, but we are anxious that the rate of development and capital commitment continues at the rate we have experienced in recent months and years.

Our own tax base is performing very well indeed.

I have already referred to a surplus of revenue that was not predicted at the time of the Budget last May, based on the rate of economic growth, which has been truly surprising.

The personal income tax, the corporation income tax, our sales tax certainly, even our lottery revenues have been far ahead of projections.

It is difficult to determine when you come to lottery revenues, for example, what triggers that, but the growth has really been a phenomenon.

I reported to the Legislature and to the public the specific sources of those revenues and their disposition in the publication *Ontario Finances*.

There are a few copies that will be available, if anyone would like to take one back to the office or home.

I think that extra nine hundred and nineteen million dollars is going to be a continuing problem for me. My friend, Larry Grossman, tells me that I should lower taxes and, as soon as I do that, I should reduce the deficit and at the same time increase services.

And I know the kind of economic thought that that is based on; I call it "Opposition economics" because I practiced that for many years.

We would all like to reduce taxes and increase services and, at the same time, cut the deficit.

You will be glad to know—I know Bill Sommerville will be glad to know—that we applied a large percentage of it—two hundred million dollars—to the reduction of the deficit, that when we took office twenty months ago the deficit was running at about $2.2 billion.

At the present report, which is available to you, it is at $1.3 billion.

Still far too high, Bill, but substantial accomplishment, even taking into consideration the productivity of our revenue base.

We have plans to improve it, you will all be glad to know, but I know you would also require the Government of the day to recognise and accept its responsibilities, to see that our medical services and hospitals are well supported.

We have already given a capital commitment over a five-year period, involving an amount that is reported at eight hundred and fifty million dollars at the present time, but there is every indication it will be substantially beyond that.

We have made a specific commitment to renew our cancer-hospital treatment facilities, beginning with the Princess Margaret, which will be a hugely expensive commitment as well.

To improve our funding for education, particularly post-secondary education, we have also committed a considerable increase in expenditure over a period of years.

So the balance that comes between reducing our deficit to zero, which would be great, or to even run a surplus and on the other hand to fulfill our community responsibilities as a government, is one that politicians must take and we must be judged on our decisions by our colleagues in the Legislature. This is more than a formality, if you know the composition of our Legislature where the Opposition parties substantially outnumber us.

There is always, of course, the recourse to another jury, and I am not sure when that will happen but politicians always, of course, have to keep their political powder dry and keep their arguments in good shape when the occasion comes when we must discuss this on the hustings.

We also have to prepare ourselves for a slowdown in our economy, which certainly must come eventually.

There may be something in the ingrained rural-farmer, Protestant approach to economics that makes me, perhaps, as sensitive and if not fearful of that as anyone would be, that while things are good, you are supposed to be storing up the recourse for the times when they are not so good. And our programmes have to reflect that.

I suppose the easiest way to do that is to reduce our deficit financing to the lowest possible level so that, when it is necessary to have programmes that are more stimulative, we have the resources to do that.

But at present, with the inflation rate just about four percent and dropping slowly, with real growth once again at three-and-a-half percent projected for the coming year, with housing starts up a full twenty-five percent over last year, and the commitment of capital at the rate that I have described, things certainly do look rosy. In any sort of comparison, we lead the jurisdictions of Canada and most of the jurisdictions in the United States in opportunities.

This carries with it the huge responsibility to see that the good things that are available for most of the community are, we hope, as readily available to all of the community.

I come from a farming area and I will at least give you a transition as useful and effective as possible and provide the leadership for the changes that must occur.

It is also necessary for us to realise that investments by governments take a wide variety of forms, that I have always felt that under the Constitution of our nation, the provincial responsibility for education is the most important.

It used to be the most expensive. Now, of course, the provision of health services has far outstripped that.

But education still is, in my view, the best investment we can make of public dollars.

We as a government have made a commitment to improve the quality of education and particularly to see that research and development in technology is going to assist our people, our young people particularly, to participate in the competition on a worldwide basis, which is so important for them as individuals and for our economy as a whole.

So these are great days to be involved in politics and government at any level and particularly to be Treasurer of this great jurisdiction at a time when the economy is buoyant.

I must say that my colleagues in government have many constructive and innovative ideas to use up any surpluses that might accrue.

You could imagine how sometimes we get into rather violent discussions, me on my part trying to hold the line at a time when the needs of the community expressed by so many knowledgeable groups approaching government, usually through the media, that we want to respond in an effective way in that regard.

But still we are in a long tradition of effective government in the Province of Ontario, that the people have placed some confidence in us, and there is every indication that they are expecting us to respond to community needs in an effective way.

So these are exciting days for all of us to be alive in this jurisdiction at a time when our opportunities and our responsibilities are so great.

I know it would be useful for me, and your president has arranged this very thoughtfully, if I were to hear your views and have an opportunity to respond to your questions for whatever time remains.

I want to thank you for your invitation, to wish you and your club well in the future.

Questions and Answers

Q. Mr. Minister, have you considered combining the administration and collection of Ontario's sales tax with the proposed federal Business Transfer Tax? If yes, What are your conclusions so far? Andrew, Keyon, CIBC

A. Yes, we are giving some consideration to as much co-operation as is practical. If the business Transfer Tax goes forward according to Mr. Wilson's plan, it might very well be possible for any of the provinces or even all of them to piggypback on that particular tax, with our direct sales tax being applied in the usual way. Anything that would cut down the confusion resulting from this change I think would be worthwhile. My own views, since it asks for my conclusion, is that it is a bit premature for us to indicate that we are going forward with discussions that would result in that. The idea is that the federal Government should establish their new tax and then, some time in the future, if it is apparent that we can cut down duplication, then certainly we should give it careful consideration. In other words, I think it is a good idea but not right now.

Q. Why aren't lottery winnings taxed? Stanley Crow, Retiree

A. I think the best answer is: to make them as attractive as possible. There are some people here who could give me perhaps a more appropriate answer as far as the legality of its goes, is it a capital gain? Nobody is looking at me, so let's leave it, and I don't know. The Americans tax their lottery winnings and anybody who is an American and wins a Canadian lottery and the money is paid to them over there pays the regular income tax on it. It is quite an interesting source of revenue and growing, in fact, faster than I think is healthy. The interest of the community in all sorts of gambling enterprises is not a new phenomenon but it is one that seems to be picking up pressure.

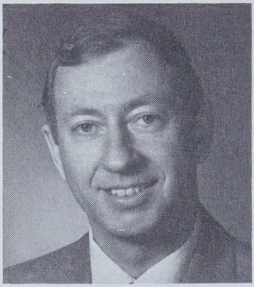
Q. Would you comment on the federal scientific research credits and comment on how you will stimulate research? Phyllis Coast, Ryerson PolyTech.

A. If we are talking about the federal initiative to stimulate research with taxation assistance, I think the last provincial report of this type—*Ontario Finances*—that my predecessor, Betty Stephenson, tabled in the Legislature in the dying days of the old government showed a decrease in revenue for the Province of Ontario of six hundred million dollars as compared to what it was expected the revenues would be. That this unexpected decrease would be compared, let's say, with our seven hundred million dollar unexpected increase this year, in neither case did it have much to do with the Treasurers of the day but the decrease Dr. Stephenson reported unexpected was almost totally associated with the payouts from the income tax base federally, and which the province joined, for those incomes, for those research tax credits that we hear about from time to time. As a matter of fact, one of the Toronto dailies published in the morning had a series last week indicating what a debacle that was. I think that our policies now are stronger perhaps in Ontario than they are anywhere else. The commitment made to research and development of technology was enunciated in the Speech from the Throne a year ago with the establishment of a technology fund supposed to be a billion dollars over the next decade. We have been criticised, and properly so, in my view, for not getting the expenditures from that fund cranked up this year fast enough. The Premier was advised in the allocation of those dollars by a very competent committee that is not going to be rushed and they are not going to have the expenditures approved unless they feel that they are warranted. I see that the Prime Minister of Canada has announced a similar advisory group, and I think that the approach taken by the Government of Canada and the Government of Ontario should certainly be in concert to stimulate general research, particularly in technology that can be used by our industries in a productive way as far as our competitive stance is concerned. I don't want to make my answer too long but, as a sort of a scientist myself going back a few years, I am also aware of the value of pure research and not necessarily directed at making more widgets faster. This is an essential component of any sort of a national or provincial program and it is best in my view directed through the universities by an independent allocating group of scientists and academicians. This is also a part of the federal and provincial thrust in this regard. I think it should be much more heavily funded, but, once again, we get back to the Sommerville Equation. I don't know how you can do that and everything else too, but this is certainly one thing that has to have a priority in our expenditures.

Q. Mr. Minister, How will the provinces share in the reformed federal sales tax? Paul Dixon, Peat Marwick, Mitchell

A. There will be no sharing to begin with at all; I answered that question briefly earlier. But it is quite possible in the future that, if the business transfer tax is flexible enough and is, in fact, construed as a value-added tax, that it would be possible for the provinces to do just as we have done with the personal income tax: establish by legislation in our various Legislatures our involvement in the federal tax. We would accept their tax base and apply a rate that would be collected on our behalf in our own provinces. So if Alberta wanted to continue to have no sales tax at all, it could do so and that recognising that the federal base for taxation is much broader than our provincial base, we would be able to reduce our sales-tax rate substantially while maintaining our revenues. Mr. Wilson has repeatedly said that the changes that he has in mind should be revenue neutral, probably that is revenue neutral when enacted. Maybe a year later, the revenue would go down or maybe even up.

The appreciation of the meeting was expressed by Douglas Derry, F.C.A., a Past President of The Empire Club of Canada.



March 5, 1987

Lloyd R. McGinnis, P.Eng.

Chairman, Canadian Chamber of Commerce,
President and CEO, Wardrop Engineering

"TRADE, TECHNOLOGY AND TOMORROW"

Chairman: **Nona Macdonald**
President

Introduction:

The Canadian Chamber of Commerce comprises 170,000 businesses of all types and has 500 local chambers. Its objectives include bringing the business viewpoint to the federal Government and to persuade on policies to foster a healthy economic environment.

Lloyd McGinnis was elected chairman of this empire in 1986. He held the presidency of Winnipeg's Chamber of Commerce in 1982-83. He brings a background of professionalism, world awareness and humanitarianism to the job. Commitment is the link that binds these qualities.

Since obtaining his Civil Engineering degree from the University of Manitoba and his Master's degree in Transportation, Engineering and Urban Planning from the Georgia Institute of Technology, he has made entrepreneurial gains throughout the world.

From Africa to the Arctic, he has directed and developed programmes for water supplies and transportation and, while in Third World countries, he set up community projects for the underprivileged and created self-help programmes.

For example, in Ghana, he integrated a complex rural four-year development programme recognised by CIDA as one of the best of its kind.

Now 54, he is President and CEO of W.L. Wardrop and Associates Limited, with its head office in his home city of Winnipeg and with branches in

Toronto, Thunder Bay and Edmonton. The company applies advanced technology to all fields of engineering, providing management and personnel training. The work has brought new systems to Cuba, Mexico, the Ivory Coast, Iran, Ghana, Nigera and, of course, closer to home, in the Northwest Territories and central Canada.

Appointments and honours have followed. Among these, Mr. McGinnis was named a Fellow of the Canadian Society of Civil Engineers in 1985, and a year later received a Gold Medal Award of the Canadian Council of Professional Engineers. His voluntary work has been focussed on youth as chairman of Young Life, a Christian organisation devoted to helping young people avoid drugs and alcohol.

As an active Rotarian—he is president this year of Winnipeg's Rotary Chapter—he is known for spearheading a new approach to raising funds to help the poor in Developing Countries.

He has been chairman of the Winnipeg Business Development Corporation and a member of Premier Howard Pauley's Economic Advisory Panel and Job Fund Programme and was just appointed to Prime Minister Mulroney's National Advisory Board on Science and Technology.

Ladies and gentlemen, who better to speak on "Trade, Technology and Tomorrow" than Lloyd McGinnis?

Lloyd R. McGinnis

I feel privileged indeed to be invited here today and look forward to sharing some viewpoints with you.

In addition to all the other things I do as Chairman of the Board of the Canadian Chamber of Commerce, two of my personal priorities are to make Canadians aware that:

1. Exports are of paramount importance to our future;
2. Advanced technology is our only hope of meeting global competition.

I do so, because I believe that job opportunities for Canadians are at stake.

Export trade is more important to Canada than to any other nation, except one. But most Canadians do not realise this. Nor do they realise that we can no longer rely totally on our resource industries. In the past, our resource industries always bailed us out. But we can no longer rely on this safety net. At the moment, worldwide demand for our resource products is diminishing. And at the same time, there is a glut on the market of cheap supplies from elsewhere. So we need markets, wherever we can find them. That's what the trade talks are all about.

Since our resource industries are no longer our safety net, and since job creation in the resource sector is likely to be limited in any case, if it's jobs we want, we have to look elsewhere. The only card we have left to play is the high-tech card. And it's about time we made plans to play it!

Because Canada needs a technological shot in the arm, and because future exports are tied to technology, my second thrust is to encourage Canadian businesses to take advantage of new advances in technology.

Our surveys show that only nine percent of our businesses—think about it!—only nine percent of Canadian businesses consider access to advanced technology as being important to their future. They don't seem to realise that exports and new technology go hand in hand. They don't seem to realise that, if we are to compete in the global marketplace of tomorrow, we must use every piece of technology we can get our hands on.

When I was in Korea in the mid '70s, its competitive edge was low wages and long hours. However, if you go to Korea or Taiwan today, you will still see relatively low wages and long hours. But in addition, you will see automation, robotics, and sophisticated manufacturing techniques. They've got what we've got—and more.

Most Canadians don't realise this. Also, most Canadians do not realise what is happening around them. Nor how rapidly these changes are taking place.

Let me give you some examples of what is happening in this global game of knowledge:

- Coloured TVs manufactured in America use Japanese parts. As the Koreans enter the TV market, they, too, will use Japanese parts. So the high-profit end of the market—the knowledge part—stays with the Japanese.
- At this very moment, if you want an option to an Apple computer, you can get a Pineapple from Korea or a Peach from Taiwan at a much lower cost.

- The electronic copying and marketing by our competitors is getting so sophisticated that, only hours after a new book is released in North America, it is on the bookstands of the globe for a fraction of the original cost.

The problems of our nation are further demonstrated when we compare ourselves to our competitors. On a per-capita basis:

- we have only half the scientists and engineers that they do;
- only a fraction of the robots;
- and our research and development is also less than half;
- others rate our managers as twenty-third out of the twenty-four industrial nations with regard to our aptitude to adapting new technology to Canadian industries.

In addition to these constraints, there is a nontechnology bias in our education system. Science and technology continue to be taught as if they were subjects that existed apart from society and the workplace. At the same time, our education system has public-sector orientation. There is practically no emphasis on entrepreneurship, and what there is is weak.

The jobs of the future are not where we found them in the past. The jobs of the future are not in the public sector. They are not in the Crown corporations and utilities. Jobs of the future are in the private sector. And most of these jobs will be tied to service/information and advanced-technology endeavours. And they will emerge from our small businesses.

So what does all this mean? To me, it is patently clear. Our very standard of living is being threatened.

It is also patently clear that if we are to preserve what we have, we must take advantage of the technology available to us. If we continue to rely only on our resource and mass-manufacturing industries, if we do not take advantage of the technology at our doorstep, we will have to lower the Canadian dollar to the level of the peso in order to compete. And in the process, every dollar in our RRSP's and pension plans will be as worthless as the coloured paper you use in your Monopoly games.

So, my friends in the business world. Welcome to the Canadian economic environment. Welcome to the global scene unfolding before us. Welcome to reality.

Although the picture I paint may appear bleak to you, there is no need to panic. Far from it. All we have to do is come to grips with the reality of the situation and start working our way out of the malaise. This is where you and I come into the picture.

I am here to tell you that individuals such as we can make a difference to the environment in which we work and play. We not only can—I believe we *must*—make a difference. So I am challenging you to make plans to make a difference.

To make a difference:

- We need leadership in business, in government and in education.
- We need people who can take on a modern challenge.
- We need individuals who will help foster the potential entrepreneurs around us, particularly the young entrepreneurs.

There is no question in my mind:

- unless—we rapidly access the new technology that envelops us;
- unless—we develop a mind-set that enables us to compete with the best;
- unless—we enhance our economy with increased exports;
- and unless—we equip our young people to cope with what lies ahead;

our very standard of living is truly being threatened.

For far too long, now, we have enjoyed the luxury of pulling the wool over our own eyes. And in the process we have killed the goose that laid the golden egg—and pumped the goose dry. The time has come to change our ways.

Change is the order of the day. So much so, we had better start incorporating it into our plans for survival. There are so many changes taking place in most of our industries, with everyone having to learn new tasks and take on new jobs, that we find our staff spending more and more time in the washrooms. There is good reason for it. It's the only place in the plant where they really know what they are doing. Part of our task is to make sure that we know what we are doing.

Also, part of our task is to make sure:

- that there is a national policy for technological development that is relevant to the times;
- that there will be ample opportunity for appropriate and continuing education;
- and that funds are available to carry out the research and development we so desperately need to keep pace with global competition.

We Canadians at this very moment are involved in a worldwide race for technological survival. History teaches us that economic and social advantage is always held by those nations skilled in the development and application of new technology. So one of my concerns is that history will repeat itself. But, this time—at *our* expense.

Because of our heritage, because we have done so well so far, one might assume that we in the Canadian business community are well positioned to take advantage of what lies ahead. In some respects, maybe we are. But in others, I am not so sure. I am not so sure that we are not running the risk of leaving our destiny in the hands of others. Leaving our destiny to chance.

The implications of the changes taking place around us are so profound that we must ensure that the business community is fully cognizant of the challenge that lies ahead. We must make sure our young people, particularly new graduates, recognise where the jobs of tomorrow lie. We must be absolutely certain that they recognise the importance of holding a high-tech card and that they have an appreciation of when and where and how they might be able to play that card.

I am concerned that the young people coming out of our high schools, our colleges and universities today, will not have the entrepreneurial spirit—the desire to achieve and the will to win—that they will need to compete in the global marketplace of tomorrow.

Many young people know that, if they are to have jobs, they will have to carve them out for themselves. And in the process, they will have to become entrepreneurs. Because it is in entrepreneurship where most of the job opportunities of the future lie.

- Sure—some of the traditional jobs will still be around.
- Sure—we will have to export.
- Sure—we will have to make use of the new technology.
- Sure—we will have to become a knowledge-oriented society.

But it is entrepreneurship that will make the difference. Because it is entrepreneurship that will allow us to compete in the global marketplace of the future.

The time has come to reduce our reliance on natural resources and place our faith in our human resources. From now on, we must live by out wits and our intellect. Our brainpower has become our most important resource.

I am becoming more and more convinced that what we have to do, we have to do ourselves, Gone is our resource-industry safety net. Gone are the excess funds that once enabled us to bask in such luxury.

When we as typical Canadian businessmen or women get into trouble, instead of coming to grips with the reality of the situation, we pray to God that we will win a lottery. That's right. As typical businessmen and women, we get down on our knees in our place of worship and say, "Please God, I no longer can afford to spend the winters in Florida. Let me win a lottery." But God does not answer.

And as things get worse, we go once again to our place of worship and say, "Please God, the competition is taking my customers; imports are killing me; I'm going to lose my house; let me win a lottery." But God does not answer.

And then, finally, in desperation we pray again. "I'm going bankrupt; my wife has left me; please God let me win a lottery." And suddenly there is a crash of thunder, flash of lightning and God speaks: "Meet me halfway, will you? Buy a ticket."

We in the business community have to stop praying for handouts. We have to meet the reality head on, not just halfway. We have to get on with the task of getting our own house in order and develop a mindset that will enable us to compete with the best.

Let's face it, our safety net is gone. What we have to do, we have to do ourselves.

One last point: Make sure you understand where your security blanket lies. Regardless of your age or your line of business, your security blanket of the future does not lie in: your education and your degrees; or in the amount of money you make; or the titles you hold. It also does not lie in: the size of your business; or the union you belong to; or the government position you hold. Your security blanket of the future lies only in your ability to cope with what lies ahead.

If we are to maintain our standard of living, if we are to continue to have the privilege of this paradise of ours, our society of tomorrow will have to be a knowledge and technology-intensive society.

If we are to create such a society, maintain it and enjoy it, somehow we will have to throw off the shackles of the safety nets of the past and develop the ability to cope with what lies ahead.

I happen to be one of those Canadians who believes we have a fantastic future ahead of us, if we play our cards right and if we play them now. The opportunities are on our doorstep. I invite you to recognise them and to take advantage of them, because the nation's future well-being is wrapped up in our ability to do so.

The world in which we Canadians will live in the future is the world we envisage for ourselves—today.

The appreciation of the meeting was expressed by John Herrick, Third Vice-President of The Empire Club of Canada. and Vice Chairman of the Canadian Chamber of Commerce.

March 12, 1987

Sir Derrick Holden-Brown, C.A.

Chairman, Allied Lyons PLC and
Hiram Walker-Gooderham & Worts

"OPPORTUNITIES ARISING FROM INTERNATIONAL BUSINESS TRENDS"

Chairman: **Nona Macdonald**
President

Introduction:

Sir Derrick Holden-Brown might well be labeled a "Canadaphile" for his affinity to us, as we shall hear today in his first major public address in this country. Sir Derrick comes here as the new chairman of a company that bears names well known to Canadians for the past one hundred and thirty years: Hiram Walker-Gooderham & Worts Ltd. will be linked now with Allied Lyons of Britain.

For those who may be wondering, the Lyons name originates with the familiar Lyons Corner House and Tea Shops in England and the Allied comes from Allied Breweries. Now this sounds like a lot of cakes and ale and it is just that.

Allied-Lyons holds title to seven thousand pubs in Britain and is purveyor of ice cream, donuts, tea and sherry. Add to that the Hiram Walker-Gooderham & Worts products: scotch, rye, liqueurs and cognac. We know one reason why, at least, Sir Derrick makes a point of keeping fit and active with his beloved cross-channel sailing ventures.

After leaving the Royal Navy in 1946, his chartered-accountancy credentials became his food and drink. After a series of management roles in various brewing companies, he took on the two-fold appointment in 1978 as Chairman of Allied Breweries and Chairman of the Brewers Society. After receiving his knighthood in 1979, he became Chairman of the Allied-

Lyons, PLC (Public Liability Company), in 1982. Last year, he played a gentlemanly role in the game of negotiating with Canada's Hiram Walker Resources Ltd. and Gulf Canada to merge the British and Canadian interests. For those who recall, it was a spirited skirmish resulting in the acquisition by Allied-Lyons of fifty-one percent of Hiram Walker-Gooderham and Worts Ltd. and the other forty-nine percent owned by Gulf Canada.

We, the spectators, have been kept informed by the business pages and national newspaper ads about Allied-Lyons which, at that time, was relatively unknown to Canadians. More information is to come today.

So let us welcome the Chairman of Hiram-Walker-Gooderham & Worts. His topic will be "Opportunities Arising from International Business Trends."

Sir Derrick Holden-Brown:

I consider it a great privilege to have the opportunity today of addressing The Empire Club of Canada. I feel I can take considerable comfort in the fact that we share many mutual interests, including our commitment to the democratic process, our appreciation of the common heritage of the Commonwealth, and our confidence in the future of Canada.

I am not unmindful, Madam Chairman, of the long list of distinguished speakers who have appeared before this club over the years. I hope that my remarks today, which will focus largely on the international business environment and the opportunities we see for Canada in the emerging global economy, will contribute in some small way to the wisdom and knowledge brought to you by your previous speakers.

Before moving on to my main task today, however, I would like to give you a brief background of my own very long involvement with Canada.

Somehow there has been a strong Canadian thread within my life for 45 years. I first became aware of Canadian drive and determination when I was serving in the Navy in World War II. We were in small ships in the Mediterranean with one flotilla commanded entirely by Canadian officers—and very aggressive and successful they were, too. It is enormous pleasure to me that my own commanding officer at that time, Tom Ladner, is here today.

In the 1950s, I was employed in the United Kingdom by one of your great Canadian companies, a company with a worldwide reputation and a great export business. It may come as no surprise to you that the company was Hiram Walker-Gooderham & Worts.

In the early '60s even the formation of the group that is now Allied-Lyons came about specifically because a certain E.P. Taylor was busy in the UK buying up and putting brewery companies together to form a completely new competitive force in our brewing industry.

Last, but by no means least, my wife is Canadian. She grew up in Toronto, and, of course, is delighted that we now have more frequent opportunities to visit this wonderful city.

Today, few would argue with the fact that investors expect organisations to which they have entrusted their funds to show continuing growth. The alternative, as we say in the United Kingdom, is that shareholders will vote with their feet—and move their investments over to other, more promising looking corporate entities.

It is in order to find new areas of growth that companies are focussing on global markets. I could give you a number of examples, but a good one is that well-known North American institution, McDonald's Restaurants. With well over seven thousand outlets already in operation in the United States and Canada, there are not many prime locations left for them on the North American continent. Expansion must therefore come from abroad.

McDonald's business strategy is to go into partnership with local entrepreneurs, just as they did in Canada with George Cohon. Thus they are a good example of a multi-domestic operator.

Let me explain. A multi-national company can come in many guises. It can own a series of domestic operations—thus my description multi-domestic. Or it can be a product or brand-based operator, with worldwide sales and manufacturing facilities in one or many locations, or any possible combination of these.

Another example is Pepsi-Cola, which comes to mind because an associate company of Allied-Lyons has just acquired the franchise for the United Kingdom.

In the case of McDonald's, the motivation for expanding internationally was saturation of the domestic market, and in the case of Pepsi-Cola, the desire to increase volumes and also to get into some markets (the USSR for example) ahead of the competition.

A further force at work creating the drive towards a global economy is the pervasiveness of consumer trends and fashions, which today are spread rapidly from country to country by television, the cinema, and personal travel. The result is the development of a common global market for similar products, services and ideas, and, whether the product is jeans, perfume, leather goods, beverages or cigarettes, it is subject to these same pressures and preferences.

We are well aware of these influences in our business. When you have premium brands such as Harvey's Bristol Cream, Courvoisier, Ballantine's, Kahlua and Canadian Club, you will naturally follow that trend and promote your products internationally.

The ease of travel and telecommunications heightens accessibility to world markets, regardless of one's country of origin.

Concorde, for example, is now well over ten years old. it is not uncommon to meet people who commute regularly between London and New York, and indeed between Sydney and London.

In the telecommunications field, the facsimile machine has revolutionised the transfer of the written word. Most makes of computers, if equipped with the proper interface, can talk to one another, even to the extent of accepting a message in English and delivering it in Chinese. I am told that this latter feat, by the way, is most difficult.

The impact of these developments on the economy are obvious. The 24-hour market in stocks and bonds is only one example, and the City of London, together with the markets of Tokyo and New York, now find themselves vying for global leadership.

New York and London also seem to be vying to produce the greatest shocks. But this will pass, and the markets will, as always, concentrate on essentials—deciding which economies and which companies offer the best prospects for the future.

This international competition for investment will have a profound impact on the future success of countries and companies, but the balance between short-term performance and long-term prospects is one that will come into even greater focus. Company chairmen will have to face up to the need to communicate internationally to ensure that their plans and strategies are fully understood and that investors will be confident enough to look long term.

Facilitated by technology, the world is therefore becoming one market, and, to illustrate just one consequence of that phenomenon for a moment, I think it imperative that governments also adopt an international dimension to such issues as competition policy.

In the United Kingdom, we are trying to convince the Office of Fair Trading (with, I believe, some success) that mergers must be viewed internationally. It may at times be necessary to accept a certain level of domestic concentration to achieve the formation of groupings capable of competing in world markets.

Let me now talk for a little about how Allied-Lyons came to be a player in this global marketplace.

Allied-Lyons is a strong, successful British-based food, beverage and leisure company. We are not a conglomerate. All of our activities are concentrated in these related areas. It is our intention to maintain this cohesion.

Worldwide, we employ well over seventy thousand people and, even before the acquisition of Hiram Walker, had annual sales of nearly seven billion dollars Canadian and profits of around six hundred million dollars Canadian before tax.

We are the second-largest brewer in the United Kingdom, owning around seven thousand pubs of which five thousand are tenanted and two thousand are managed. In addition, we are developing a chain of restaurant and cafe-bar-type outlets with considerable success. We also have major brands of lager and ale, some of which are international.

By the very nature of the beer business, it tends to be domestic and we see it remaining that way—but, again, we believe there is room for the multi-domestic operator. In fact, we are now seeing these develop, and our own small Dutch operation is a good example.

We have wide international interests in food. The main focus of the business is still the United Kingdom where we are strong in tea, coffee, bakery products and catering.

In the United States we own Baskin-Robbins ice cream, DCA Food Industries, producing bakery machinery and food mixes, and Tetley Inc. tea and coffee. All these companies are run by Americans and they themselves are developing internationally.

Baskin-Robbins is expanding as a multi-domestic operator. In Canada, Silcorp is the national franchisee, and in Japan and Korea Baskin-Robbins is in partnership with local operators.

DCA is also looking outside the United States. It has an operation in Canada and a very successful company in Spain, which is jointly owned with some lively Spanish partners.

We also have food companies in most European countries and in East Africa.

You will see from this that our claim to have an interntional food business is, therefore, well founded.

Now for wines and spirits.

We have a very strong presence in the United Kingdom wines-and-spirits market, both through our own companies and brands and through a joint venture in table wines with another major brewer. This makes us the largest wine company in the United Kingdom.

Although the wines-and-spirits market in the UK is mature, that in itself is, in our opinion, no obstacle to further profits growth. However, when maturity is coupled with a tight government policy on mergers and competition, it does mean we have to look elsewhere for growth.

This growth, we believe, must come from strong international brands.

It was natural, therefore, for us to take advantage of the opportunity that arose early in 1986 to acquire Hiram Walker-Godderham & Worts. I am sure there is no need for me today to recount the details of the rather interesting period that followed, suffice to say that we are delighted with the outcome and the fact that in Gulf Canada Corporation, and through it, Olympia and York, we have such successful and committed partners.

Hiram Walker has a very long and distinguished history as a leader in the liquor business, not only in Canada, but also worldwide. When the next chapter of that history is written, I am sure it will be seen that the company has been reshaped to compete in a world with fewer but very powerful players.

I am delighted that Cliff Hatch, President of Hiram Walker, is here today. He and generations of his family have played a very major role in building the company to the position it now occupies.

The task we now face is to ensure that our investors, employees and customers obtain the maximum benefit from the fusion of our wines-and-spirits business with the operation of Hiram Walker-Gooderham & Worts and the subsequent further international development of all our brands.

It is our business philosophy to delegate authority to the operators in all sectors of our organisation. We believe that, in this way, we obtain dedicated, positive and focussed management who are close to the marketplace. Through this means, Allied-Lyons has built an international business including some very successful domestic operations.

Canada, because it offers a stable, sound and growing economy, is an extremely attractive country in which to do business. It remains rich in natural resources, and possesses a significant and expanding technological capability. You hardly need me to tell you that.

Canada, as far as we are concerned, also offers the dynamism of a youthful and vigorous country, which springs from your relatively recent pioneering history. I am sure it must be difficult for visitors to appreciate that Vancouver, the site of Expo '86, was founded only a hundred years ago, and has grown from a very small city in the lifetime of many residents.

In international terms, however, Canada has a limited capital base. It needs to attract investment from abroad, while, on a reciprocal basis, permitting its citizens to make investments abroad.

Our own acquisition of Hiram Walker may well be a good example of the type of investment that will be seen in the future. It released cash into the Canadian economy that could be invested elsewhere for growth.

Our commitment to maintain the Hiram Walker base at Windsor, Ontario, and to use our own technology to develop the production capabilities in Canada, demonstrates that there can be other benefits in allowing investment from abroad.

The financial world will be watching with interest your own "Big Bang" in the securities industry as your brokerage firms respond to the new Ontario and federal legislation permitting them to open up ownership to chartered banks and foreign investment houses.

The increased competitiveness, and larger capital base that this will bring to your securities industry, undoubtedly will be beneficial to both Canadian and international investors.

History has taught us that competition increases efficiency, and leads to higher standards of living. We have also seen how peaceful international competition can reduce world tensions by moving the focus of attention from geopolitical to economic goals.

At the same time, it is not surprising that these global trends are sometimes a cause of apprehension and concern in Canada. You share your continent with a larger and more powerful neighbour. Your economy is largely dependent on the viability of your export industries, and we know that you are determined to retain your own cultural and national identity.

For all these reasons, it is understandable that your approach to freer trade with the United States must be cautious and careful. I happen to be confident that you will find a pragmatic way to deal with these concerns, while also enhancing your trading opportunities in the United States.

I also am convinced that Canada has a much stronger and more enduring cultural foundation than most Canadians realise. Your culture stems from a shared heritage with Britain and France, a heritage since enriched by the contributions of many other communities across the globe. It is a culture that is shaped by the uniqueness of your own national experience.

There are few countries that are spread out along four thousand miles of border with their neighbour. I understand that eighty percent of Canadians live within one hundred miles of this demarcation line. And despite the fact that the powerful influence of American culture flows readily across this line, you have opted to shape, and support, a distinctive Canadian identity. I believe it is an identity that is stronger than many people realise.

Last year two of your writers were contenders for the Booker Prize, the United Kingdom's most prestigious literary award. In the world of music, we expect to see the Montreal and Toronto Symphony orchestras in London because we know they rank with the world's best.

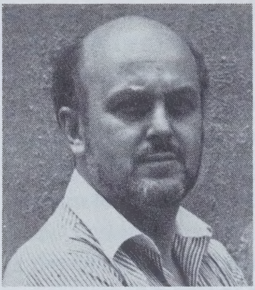
A statistic or two: Despite the constant presence of American culture, I am told that Canadians demonstrate a very strong level of support for their own media of communication. The free flow of books from the United States and Britain does not prevent Canadian titles from making up twenty-five percent of all books sold in Canada. Similarly, fully a third of all magazines sold on Canadian newsstands are published by Canadians. Could we in England, I wonder, be accused of losing our identity because certain of our newspapers are owned by Canadians and indeed some others by Australians.

Business, investment, fashion and, I hope, ideas, will become increasingly international—and I believe we can now see some signs that even the communist countries will be participants.

With your twin heritages, your dynamism, your vast resources and the proven vision of your artists and business people, I believe Canada is in a unique position to take advantage of the new opportunities of this emerging global marketplace.

I am delighted that Allied-Lyons is privileged to share in Canada's bright and exciting future.

The appreciation of the meeting was expressed by H.N.R. (Hal) Jackman, a Past President of The Empire Club of Canada.



March 19, 1987

Charles Pachter, B.A., M.F.A., E.S. P.P.P.F.E.

Artist, designer, entrepreneur

"PRELUDE TO THE AFTERNOON OF A MOOSE"

Chairman: **Nona Macdonald**
President

Introduction:

Charles Pachter, artist, humourist, critic and designer, has been called "a contemporary Renaissance man."

Many of you in this audience are here because Charles and his computer invited you on relatively short notice. Welcome to The Empire Club's magic-lantern show, which our television audience will be sharing.

Some visuals the TV audience won't see are the colourful cards and brochures on your tables. They are all part of the Pachter package, which is wrapped up in the whimsical title, "Prelude to the Afternoon of a Moose."

Facetious as this may sound, Charles Pachter is no lightweight. He holds an Honours Bachelor of Arts degree from the University of Toronto—he was top of his class—and a Master of Fine Arts degree from the prestigious Cranbrook Academy of Art in Michigan. His degree from France is signified by a diploma from Les Écoles Supérieures de Préparation et de Perfectionnement des Professeurs de Françaíse et des Étrangères.

As for the rest of his life story, let us hear it—with audio-visuals—from the entrepreneur of Canadian artists, Charles Pachter.

Charles Pachter

1947. At age four, I was chosen to play a lost boy at the

Canadian National Exhibition in a National Film Board "*Canada Carries On*" movie called *Johnny at the Fair.* I roamed freely around the Ex, shook hands with Prime Minister Mackenzie King, kissed skater Barbara Ann Scott, and got my first closeup look at a pet moose and its owner, Quebec woodsman Joe Laflamme.

1962. At 19, I left Art History classes at the University of Toronto for Paris, enrolled in a school for foreign French teachers at the Sorbonne, took a job as a cafe waiter near Rouen, drew at night at the Académie de la Grande Chaumière, discovered the streetscapes of Montparnasse, and moved to Corsica where I lived in a tent by the sea.

1964. As part of graduate studies at the Cranbrook Academy of Art in Michigan, I illustrated the poems of Margaret Atwood. We had been summer camp counsellors together in Haliburton, she as "nature" instructor, I as arts and crafts. We were young Canadians working in the U.S., discovering our identities in the process. I printed our first folio of eight poems and lithographs, *The Circle Game*, on an antique letter press on handmade paper which I made from chopped blue jeans and pillow cases.

1966. My first studio in downtown Toronto was in an old bicycle-repair shop on Shaw Street. I left home, a CANOE, (Child Acculturated North of Eglinton). The multicultural street life, so different from the '50s suburbs I knew as a child, was invigorating, and reminded me vaguely of Paris. I immediately set up a lithography workshop where I illustrated and printed the works of Canadian poets Alden Nowlan and John Newlove, introduced to me by Atwood.

One of the things I discovered while in the States was how little the Americans knew about Canada. Back home, I observed that, as little as they knew about us, we didn't know that much more about ourselves. But we knew a lot about them. Imprinted with a possibly exaggerated sense of Canadian-style glamour from my short career as a four-year-old film star at the CNE, I grew up motivated to celebrate what was *here.* I sought out the work of other Canadian artists and writers. I encountered a mostly cool culture. If you were inclined to celebrate things that were here, you were often up against an entrenched attitude of philistinism. Many were stuck in the belief that glamour meant other. *Other* Places, *Other* People, *Other* Art.

1967. Twenty years after *Johnny at the Fair*, I was determined to be part of Expo '67, the fairest of them all. I spent a year in Montreal as a curator of the International Exhibition of Contemporary Sculpture. Part of my job was to bring meals to the great sculptor Alexander Calder, who came to Expo to supervise installation of his monumental stable. The rest of the time, I devoured the excellence of the architecture, the national pavilions, the site. I was convinced that Canada had finally become glamourous.

1968. Pierre Trudeau was elected Prime Minister. Back in Toronto, I exhibited new lithographs at Gallery Pascal in Yorkville, and bought my first house. Without formal architectural training (which might have constrained me), I gutted and rebuilt an old wreck on Shaw Street. I discovered the pleasure of reconstructing interior space organically. The approach was similar to working on a painting. Light sources, scale, proportion, and colour were as important in constructing living space as on canvas.

1969-70. As assistant professor in the Art Department at the University of Calgary, I discovered the West. An urban middle-class Easterner thrust suddenly into wide open spaces, I could not help being overwhelmed by the Prairie skies, the new light, the mountains, the magnitude of everyday vistas. It fed my romantic notions about Canada, and I began appropriating images of the Dome Car of the CPR, Mounties, cowgirls, grain elevators, and Chinook arches.

1971. Back in Toronto again, I pondered something closer to home as an *objet d'art*. The sleek streetcar, the familiar Red Rocket, became my inspiration. In a series of screen prints, collages, and constructions, it glided, hovered, floated, sank, and flew.

1972. I flew 2,000 miles north to Cape Dorset, NWT in the dead of winter to teach lithography to the Inuit. With temperatures of 40 below zero, I lasted two weeks before coming down with pneumonia and pleurisy. Back to southern Canada for a frustrating period of hospitalization, by summer I was sufficiently recuperated to head east to the Gaspé peninsula in time to witness a full eclipse of the sun. The St. Lawrence River valley in July was a joy to drive through, and I soaked up the verdant landscape and sparkling waters, images I would later put to good use in the studio.

Back in Toronto, I began working on what was to become a notorious series of paintings. Recollected memories of childhood royal visits, triggered by news that the Queen was coming to Niagara-on-the-Lake to open the new Shaw Festival theatre led me to start sketching Her Majesty in Canadian settings. Several images came in succession. *Procession Through Landscape* featured a disembodied glove seen from inside a limousine. This arose from childhood memories of sitting on my father's shoulders, waiting impatiently in the street for the then Princess Elizabeth to ride by in a limousine. When the entourage finally passed, all I remember seeing was a glove.

The Visitation (1972) is my updated version of a medieval religious altarpiece. Here the two winged and haloed figures are the monarch, Elizabeth II, standing on a dais in the middle of a field with her loyal subject, Mrs. E.P. Taylor, curtsying ceremoniously while a moose grazes benignly in the background as the majestic St. Lawrence flows by.

Another large canvas, *Rite de Passage* portrays a bejewelled Queen in full regalia waving from the back of a CPR caboose hurtling through a stylized *Group of Seven* forest at night.

From these exploratory images, the signature painting emerged. *Noblesse Oblige*, now commonly called *Queen on Moose*, features Her Majesty taking the salute on mooseback. The two monarchs have developed a symbiotic relationship in a Canadian context. The first reactions to this painting were hostile. Many called it irreverent. One shocked monarchist wrote me a letter suggesting I should go back where I came from, which was north Toronto. Another exclaimed: "It's a disgrace. If the man feels this way, he should keep it to himself." And so on.

My dealer at the time chose not to show the series, so I devised my own opening to coincide with the Queen's arrival at the Shaw Festival. Since I lived on Shaw Street, I turned my house into a gallery, organized a garden party on the lawn with assorted friends appropriately dressed to pour tea, and called the event "The Other Shaw Festival." The result was a barrage of local and international press coverage. Headlines such as "Canada in Royal Rage over Queen on Moose" appeared in newspapers worldwide. This whimsical fantasy, with no offense intended, had suddenly become *outré*. It struck a nerve. And Canada had a new folkloric image.

1973 was the beginning of the era I call "Ten Loft Years." Having quickly outgrown the house, I bought an old factory on Ryerson Avenue near Queen Street West, renamed it the Artists Alliance Building, moved to a three thousand square foot loft on the top floor, rented studios to fellow artists, started a co-op gallery called *Artery* and became a janitor, landlord, consultant, renovator, mediator, event organizer, and restaurateur. As one building filled up, I acquired a neighbouring one by borrowing against the new value of the previous one. In seven years, the Artists Alliance expanded so successfully that by 1980, the company employed six people and managed a dozen neighbouring properties with fifty tenants.

Queen Street West with its second-hand shops, ethnic eateries, and spacious old warehouse, was being rediscovered. A new "village" was in the making. Our co-op gallery was making headlines with such taste-making shows as *The Ugly Show* where famous and unknown artists alike there invited to submit the worst work they had either made or found, and *The Stunning Show* which was a parody of exclusive high society black-tie art auction fundraisers.

Tenants and friends of Artist alliance grew into an extended family. Summer weekends were spent at an old rambling farmhouse and one hundred-acre retreat in Oro Township north of Barrie, called *Oro Fixation*. Canada Day was always a special event. Escaping from hot lofts, the Queen Street troupe of painters, writers, filmmakers and assorted hangers-on would arrive in camper vans with kites, Frisbees and picnic baskets, arranging themselves spontaneously in groupings from *Luncheons on the Grass* accompanied by butter tarts and cider bought from neighbouring church bakes sales. Memories of these casual clusters led to a series of paintings which I completed a few months later. I found and renovated an old fur factory at Queen and Soho, renamed it the *Soho Loft Gallery*, and opened an exhibition called *Figures in a Landscape* in the fall of '79, my first commercial success on my own.

Soon the novelty of loft life faded. I found large open spaces great for impressing friends and ideal for parties, but difficult to heat in winter, and impractical to live in. So I went looking for an alternative. A house seemed too small, a factory building too much trouble.

By chance I fell upon a decrepit blacksmith shop and grocery store in a lane just west of the Grange. It was boarded up, uninhabited. I knew immediately I had found the home I wanted. Transforming the hundred-year-old wreck into a spacious residence and studio proved to be a monumental hassle, but it was worth it. A year later, I had at last created an all-purpose environment where I could live and work comfortably and undisturbed, a block away from the burgeoning Queen Street scene.

Next I bought and refurbished the elegant old Remeny House of Music Building on Queen Street West, opened a permanent loft gallery on the third floor, hired a director, and resumed work on a major opus I had waited eleven years to complete. *The Journals of Susanna Moodie*, Margaret Atwood's epic poem recounting the life of the renowned nineteenth-century Canadian immigrant was the inspiration for a deluxe illustrated folio I had conceived in 1969. With some creative financing, i.e. funds raised through leveraging real estate holdings, I was finally able to realise this expensive project. Spanish master printers Manuel and Abel Bello Sanchez were hired to do the silkscreens. Day and night, I drew and they printed in an old warehouse on Niagara Street. This labour of love was completed in nine months and exhibited first in November 1980 at the new Ring Gallery (and later at the Art Gallery of Ontario during Bicentennial year, 1984.)

At the height of this activity, I got involved in a restaurant project with a group of well-meaning investors that would later prove to be my undoing. A large old clothing store at Queen and Portland with a beautiful but neglected nineteenth-century *Chateaux-of-the-Loire* facade became my new obsession. After a year of major renovations, *Gracie's* opened in the fall of 1980, a 200-seat glitzy restaurant with four appropriately decorated versions of "theme" dining rooms variously called the *Mississauga Room, Rosedale Room, Don Mills Room,* and *Forest Hill Room.* (The signs were interchangeable, depending on your whim.) *Gracie's* quickly became the gathering place for a growing crowd of filmmakers, painters, writers, TV producers, and loft denizens, mixing it up with business tycoons, socialites and the curious. People didn't come just for the food, often unpredictable. Being there was entertainment enough.

Further expansion came a year later with the construction of the IGA Gallery across the street from Gracie's. Renovation of the four-storey twenty-thousand-square-foot building at 567 Queen Street West was the most extensive project undertaken. With the support of two sympathetic business partners, I transformed a former supermarket into the largest and best-equipped private commercial gallery in Toronto. Rivalling anything on West Broadway in New York, it boasted a computerized lighting system, sixteen-feet-high walls, and state-of-the-art loading and storage systems. It was also very *glamourous.*

Meanwhile, back at the studio, in a parallel burst of energy, I began to paint a series of large canvases based on a recurring memory from the Oro farm. One summer night, after building a flimsy flagpole out of two-by-fours hastily nailed together, I attached a small rayon flag to the top, manoeuvred the unwieldy mast into a fence posthole, lay down in a hammock to survey my handiwork as the sun was setting, and watched the flag unfurl slowly in the breeze, rocking back and forth like a primitive mobile at the top of its slender stem. The effect of wind, light and motion struck me immediately. Months later, I had completed several painted variations of this ephemeral image.

One painting led to another. I found myself swept along by the possibilities. I could have continued *ad infinitum*, but I eventually became "flagged out." I began by preparing for an exhibition of these new works at the yet-to-be-completed IGA gallery. The opening was finally set for November 7, 1981, which turned out to be the day after Prime Minister Trudeau had announced to the nation that the Constitution was coming home. It was a grand coincidence. *The Painted Flag* opened on a Saturday night with *tout le Toronto* in attendance. Champagne flowed. Thirty large canvases were splendidly mounted and lit in a gleaming new gallery that looked as mystical as a Ming tomb. It was quite a spectacle. After the opening, exuberant crowds gathered across the street at Gracie's. Celebrations continued through the night. Queen Street had come of age.

But there was trouble ahead. By mid-1982, the economy plunged into a full recession. Interest rates doubled. The restaurant foundered. Many tenants went bankrupt. As mortgage rates rose, real estate values fell. Banks recalled loans. Mortgage companies repossessed properties in default.

Forced to sell all the pearls in the Queen Street necklace at distress prices, I agreed to liquidate everything in order to keep house, studio and sanity. First came the rummage sales followed by the inevitable bankers' meetings and lawyers' lunches, where deals were struck and debt-repayment plans devised.

One by one the buildings were sold. By 1983 the Artists Alliance, the IGA Gallery, Gracie's, the Ring Building, the Soho Loft and the Oro farm were gone. And the rest were soon to follow. My *ten loft years* were coming to an end. The coachhouses and bakeries, side-alley warehouses and factories lovingly converted to arts uses, housing painters, publishers, photographers and designers, theatre and dance companies, rehearsal halls and film studios, were all sold to pay back bank loans. My offices were dismantled, loyal staff let go, paints stored away, partnerships ended. Confused, dejected but still intact, I came home to the refuge of my studio to confront the emptiness. And started to paint again.

My luck changed when the Reichmann brothers purchased three *Flag* paintings for the lobby of the Stock Exhange Tower of First Canadian Place at King and York Streets in late 1983. This auspicious placement taught me the importance of having works displayed strategically in public. The Queen Street years were behind me.

I began to see the whole city as potential show space. From 1984 to 1987, I hung seven solo exhibitions around Toronto. I found willing hosts with excellent public viewing space, which guaranteed my work would be seen by large numbers of people for extended periods. Six months on the walls outside Movenpick Restaurant, two months at Queen's Quay Terminal, four months at the Ontario Science Centre, followed by The Arts and Letters Club, Gallery Moos, The Alliance Française, and Ryerson Polytechnical Institute put my work out there. In between, I was invited to participate in an exhibition in London called "Vestiges of Empire" where *Queen on Moose* made her English debut. A poster presented to Buckingham Palace was received with gracious aplomb by Sir Philip More, Head of the Household, who commented, "Actually, it's rather a good likeness." "Of whom?" I asked. "Of them both!" he replied.

Back home, I was inspired by an AGO exhibition, *The Mystic North*, a survey of international influences on the Group of Seven. I started a new series of paintings in which I appropriated some "hot mush" impressionist brush techniques common to the Group of Seven. Into this context I injected some local historical events and some visual puns. *Simcoe's Reward* and *Cold Comfort* reinvent the arrival of counter-revolutionary Loyalist soldiers in Ontario, knee deep in mud on the cold and windy shores of wavy Lake Ontario, circa 1793, bound and determined to begin a new life in a steadfastly British colony north of the new American republic. A formal *double entendre* painting depicts a contemporary condominium interior with a couch in front of sliding glass doors looking out on a turbulent wilderness lake. Its title is *Davenport and Bay.*

A trip to the Orient in 1985 had a particular effect on me. My goal in painting has always been to reduce an idea to its simplest form. In Japan, I was awed by the visual purity of design everywhere, and by the harmonious blending of contemporary and traditional culture. It confirmed everything I had been striving for in my work. Back in the studio, I did a painting of six Canadian Supreme Court judges called *The Supremes*. This was a formal expression of an idea about the prominence the media give to law and government in Canadian life.

A visit to The Golden Temple in Kyoto caused me to reconsider a tent form I had been exploring in several paintings based upon Mrs. Simcoe's description in her famous diary of "The Canvas House" brought from London to house the Simcoes in the wilderness at York, later Toronto. A variation of this image later became the theme for a painting commissioned to commemorate the thirty-fifth anniversary of the Stratford Festival. (Stratford's first theatre was a tent). The title is *To All In Tents*. In French, *En Tentes Cordiales*.

Another painting called simply *Float* depicted an outboard motorboat at the end of a dock. A horizon line in the distance anchored the objects to a finite reference point. On returning from Japan, I removed the horizon line. The air and water were absorbed into one atmosphere. The boat and dock were released from gravity to hover in space. A much better painting emerged.

By 1986 I had been painting nonstop for three years. The routine was now pretty well established. At times I missed the problem-solving and responsibilities of the old real estate empire.

I came to revel in the solitude, in walking into the studio without leaving home. Often days, a week, would go by without my seeing anyone. I found myself grazing in between painting instead of sitting down to a meal. I would usually eat standing up, in front of an unfinished work. On good days, I felt this routine was a privilege. On bad days, it was a trap. Up in the morning, coffee, into the studio. Paint. Clean up. Graze. Nap. Study the painting. Revise. Destroy. Repaint. Graze, etc. But I knew when I had done a good piece of work. I felt the elation. I danced a little jig. Still, the isolation could be depressing.

One day the real estate agent who had seen me through the Queen Street years called to tell me about an old apartment building she wanted me to see. Not interested, I said. I'm painting. But it's just across the lane from your studio, and it looks out on the park, she said. She continued dangling the bait. It's a mess. It needs everything done to it. Nobody could redo it like you. And you're right next door . . .

I was hooked. Three years after vowing never to touch another old building, I bought the worst of all possible dumps and began the struggle to transform it into elegant living space overlooking historic Grange Park. Tenants, neighbourhood committees, historical societies, building inspectors, politicians, activists, all had a go at me.

I had forgotten about the day-to-day trivia, the paperwork, the bureaucratic obstacles, the delays, the opponents, the cost overruns, the financial stress, the fights with tradesmen, the disappointments, the compromises. But a year later, as the project nears completion, and the newly designed, painstakingly rebuilt Beverley Arms welcomes its first occupants, I think it was worth it.

And now, back to the studio . . .

The appreciation of the meeting was expressed by Dr. Harold Y. Cranfield, M.D. F.R.C.P.(C), a Past President of The Empire Club of Canada.

March 24, 1987
A joint dinner with
The Canadian Club
of Toronto

The Honourable Ray Hnatyshyn

Minister of Justice and Attorney General of Canada

"THE DESCHÊNES REPORT: THE COMMISSION OF INQUIRY ON WAR CRIMINALS"

Co-Chairmen: James K. Warrilow
President, The Canadian Club of Toronto
Nona Macdonald
President, The Empire Club of Canada

Biography:

Born and educated in Saskatoon, Mr. Hnatyshyn is a graduate of the University of Saskatchewan and is former president of the Saskatchewan Law Society.

He was first elected to the House of Commons as a Member for Saskatoon West in 1974. He served as Minister of Energy, Mines and Resources and Minister of State for Science and Technology in former Prime Minister Joe Clark's Government.

He was Opposition House Leader during the most recent Liberal Government and was appointed Government House Leader when Brian Mulroney's Tory administration swept into power in September 1984. He was named President of the Privy Council in 1985 and Minister Responsible for Regulatory Affairs in February 1986. He was appointed Minister of Justice and Attorney General last June.

Honourable Ray Hnatyshyn:

It's such a pleasure to be with you this evening. This is an excellent opportunity for me to speak to you concerning the Deschênes Commission report and other matters of concern to me and to all Canadians who share the Government's conviction that the task of improving and strengthening the Canadian justice system must be a continuing one.

This evening I would like to speak to you first concerning the Government's recent response to the report of the Commission of Inquiry on War Criminals and then discuss the aboriginal Constitutional process. Finally, I would like to mention briefly the Government's commitment to insure a more effective, efficient and accessible justice system in Canada.

During my discussion, you may have the feeling that not everything I say is brand new. This perception is an accurate one, for the initiatives we are pursuing are based on values and ideals we already possess. Not only must we look to changing vistas to bring forth new ideas, but, from time to time, we must remind ourselves of those things we already know. I realise that our laws, as they exist in Canada today, are a reflection of both old and new values. As the needs of society change, our laws do not remain stagnant, but instead, respond to conform to those needs. Sometimes this results in the promulgation of new legislation, sometimes we return to the basics and breathe new life into those values long entrenched.

The bringing to justice of those who have committed crimes is one such basic principle. It is a principle that applies equally in times of peace and in times of war. The need to observe that principle is not one that lessens with the passage of time but one that must be faced and squarely addressed whenever crimes come to the attention of legal authorities. It is this principle that underlies the government's response to the Deschênes Report.

I think it is important to put the Deschênes process in perspective. Reports during the early 1980s suggested that the number of war criminals in Canada was in the area of two thousand to three thousand and could reach as high as six thousand. It was claimed that Doctor Joseph Mengele, notorious for brutal and inhumane medical experiments, had come, or attempted to come, to Canada. As these accounts persisted, it became increasingly apparent that some action was required to resolve the existing uncertainties and to ensure that the interests of justice were served. It was also necessary to identify the alternatives open once its precise scope was identified.

To allow the factual issues to be clarified and the legal alternatives to the resolution of this problem to be clearly set out, the Commission of Inquiry on War Criminals was established on February 7, 1985, with The Honourable Mr. Justice Jules Deschênes of the Superior Court of Québec as Commissioner. As you know, Mr. Justice Deschênes reported on December 30th, 1986.

Mr. Justice Deschênes' report *did* accomplish its major objectives. It substantially clarified the factual scope of the war criminals problem and it identified the various legal alternatives to dealing with it.

The report was divided into two parts. The first of these was recommended by the Commission for publication. It set out in detail the legal alternatives available to deal with war criminals. It also discussed the cases of eight hundred and twenty-two individuals against whom allegations had been made.

The second portion of the report discussed twenty-nine cases in which the Commission originally felt that the seriousness of the allegations and the possible availability of evidence merited special attention. Of the twenty-nine cases considered, the commission felt in nine that no action was merited in view of its findings. The Commission recommended that this part of its report, entitled *Part II (Confidential)* not be released.

From the Report, it is clear that the scope of the problem of war criminals in Canada has been considerably exaggerated by some. The actual number of individuals identified as possibly being war criminals was in fact fewer than one thousand. Of these, Mr. Justice Deschênes was able to eliminate a large number. Today just slightly more than two hundred remain for further investigation.

Other claims were investigated and clarified as well. Dr. Joseph Mengele never came to Canada nor applied to come. Allegations of war crimes against the Galicia Division as a unit were found to be unproven.

In looking at the legal alternatives for proceedings against individuals suspected of war crimes, three possible approaches were identified. There were, first: the amendment of the Criminal Code to try suspected individuals here in Canada; second: extradition of individuals against whom allegations were made to face trial elsewhere; or third: denaturalisation and deportation, which would see the individuals concerned stripped of their Canadian citizenship because of fraud at the time of entry and then deported from Canada.

The extradition alternative would require in many cases changes in Canada's extradition policies and practices, such as a broadened extradition to Israel or extradition to Eastern European countries including the Soviet Union.

The alternative of denaturalisation and deportation would have required amendments to the law with retroactive effect.

In considering its response, it was necessary for the Government to reflect not only on the individual cases and circumstances identified, but also to consider carefully the issues of principle that must be met in its response.

The first of these was that, despite the lapse of time and the serious practical problems encountered, individual war criminals must be brought to justice. Canada must be concerned if even one individual guilty of war crimes has found refuge from justice here. As I have mentioned, it has long been a principle of our law that individuals guilty of serious crime must be sought out and punished. The Government therefore committed itself to carefully following up on the individual cases identified by the Commission for further investigation and taking further measures as required.

A second principle that was clear to the Government was that it was not proper that Canada in any way compromise its standards of law and justice to address this specific problem. This could only be guaranteed if the individuals concerned could, so far as possible, be tried here in Canada and in accordance with the legal rights guaranteed in the Canadian Charter of Rights and Freedoms and the other protections of our own system of justice. A careful reflection on these principles led us to the following conclusions.

The Criminal Code must be amended to give Canadian courts jurisdiction to try war crimes or crimes against humanity in Canada, if the conduct in question would have amounted to a criminal offence in Canada.

The trial within Canada of individuals accused of war crimes should not be restricted to just addressing past crimes but will also pertain to modern conflicts. To ensure that the required amendment effectively addresses past and future war crimes, careful attention is being directed to the development of the precise standards and definitions to be utilised in the proposed Criminal Code provisions.

The commission made a number of recommendations to strengthen our immigration and citizenship processes to ensure that future entry of war criminals into Canada is made as difficult as possible.

Some of the recommendations to strengthen the Immigration Act include: the questioning of applicants about past criminal activities that may have amounted to war crimes, the maintenance of immigration forms until the applicant is no longer alive, and the amendment of Section 127 of the Immigration Act to provide that protection for individuals with an established Canadian domicile would not apply to those involved in war crimes.

With respect to the Citizenship Act, the Commission recommended that the Act be amended to bar citizenship to those involved in war crimes, to make participation in war crimes a specific ground for revoking citizenship and to provide that removal of citizenship be applicable to past war crimes.

The Government agrees that the need exists to tighten up Canada's practices with respect to the entry into Canada and the processes obtaining Canadian citizenship to ensure that Canada will not be thought of as a place of refuge for individuals who have participated in war crimes or crimes against humanity. To this end, the Government will proceed with the measures recommended by the Deschênes Commission to ensure that, in the future, immigration into Canada and Canadian citizenship are not available to those who have participated in war crimes in other countries.

The immigration screening process and interview procedure will be tightened up as recommended. Other protections of the Immigration Act and of the convention Relating to the Status of Refugees will be made expressly inapplicable to war criminals.

In future, Canadian citizenship will be denied to those who have participated in war crimes. This will be done by amending the Citizenship Act to make complicity in war crimes as defined in the amended Criminal Code a bar to Canadian Citizenship.

Since it is not appropriate to take extraordinary steps to export this problem, measures to extradite individuals or to remove their citizenship and deport them ought to be taken only in a manner consistent with existing Canadian laws.

With respect to those already here in Canada, the Government will not change the law retroactively. Hence it will proceed under existing laws and practices to address the problem of individuals whose citizenship has been obtained through demonstrable fraud.

The Commission also considered the fact that, in conducting further investigation, serious evidentiary difficulties would be encountered. The passage of forty years, and the national, political and linguistic differences that must be addressed in endeavouring to collect the necessary evidence are formidable obstacles. In the great majority of the remaining cases, the necessary further investigations must involve at least one Eastern Bloc country.

The gathering of evidence outside Canada is nothing new, of course. Canadian courts have utilised commission evidence obtained in foreign countries. As well, Canadian police have on many occasions carried their investigations into foreign lands with the aid of local authorities. For example, significant and reliable evidence was obtained in several countries, including the Soviet Union, in the proceedings leading to the extradition of Helmut Rauca to West Germany for war crimes.

The individual cases in which Mr. Justice Deschênes has recommended that consideration be given to seeking Eastern European evidence will be carefully reviewed on a case-by-case basis. Any gathering of evidence abroad will be restricted to those cases where, in the opinion of Canadian authorities, there are specific, credible and serious allegations of war crimes requiring further investigation.

I have instructed my department to work in close co-operation with other departments and agencies such as the RCMP in order that the necessary resources can be put in place to ensure that investigations are completed and that the required amendment to the Criminal Code is introduced on an expeditious basis. The government has made a commitment to act and we will honour that commitment.

However, justice demands not only effectiveness but also fairness. In that regard, the Government has agreed with Mr. Justice Deschênes that evidence obtained in the pursuit of alleged war criminals meet the test of Canadian standards and must be gathered, where applicable, in a manner consistent with the six conditions he proposed for the collection of evidence in Eastern Bloc countries. As well, we believe that it is important, as Mr. Justice Deschênes has proposed, to rely upon the existing structures of the RCMP and the Department of Justice to ensure that the traditional roles of investigation and prosecution are maintained.

The enthusiastic response of Canadians to the Government's decision to seek the solution to this problem here in Canada and in accordance with our own standards of law and evidence has demonstrated, in a very real way, the deep and abiding confidence that Canadians have in our legal institutions. Those institutions are a vital part of our heritage and integral components of our blueprint for the future.

Not long ago, I spoke about the rise of vigilantism in Canada and the perceived erosion of public confidence in our justice system. At that time, I mentioned the need to be concerned with the perception that Canadians have of our legal institutions and the importance of ensuring that these institutions were responsive, effective, responsible and accessible. This concern remains, but I must acknowledge that my anxiety has been to a degree relieved by this demonstration of confidence in our justice system.

At the same time, there are other issues and concerns that I now wish to mention to you that will continue to test the resolution and commitment of Canadians to ensure that our institutions and laws are responsive, effective and responsible.

The aboriginal Constitutional process is one of these. As you may know, Section 37.1 of The Constitution Act, 1982, committed Canadians to an ongoing process focussed on a series of First Ministers' Conferences on aboriginal affairs, to be concluded by April 17, 1987.

I have been working together with the leaders of the national aboriginal organisations and my provincial colleagues to develop a Constitutional structure that will ensure that the needs of the aboriginal community are met within Canadian legal and social structures. On March 13, 1987, at the request of the Prime Minister, I convened another ministerial-level meeting to make every effort to refine the proposal for consideration by First Ministers.

The negotiations have proven difficult for a number of reasons. For example, no fewer than seventeen different parties are involved. These include the federal Government, the provincial governments, four national aboriginal organisations, and the Territorial governments.

In addition, any Constitutional amendment must be supported by both the federal government and seven provinces, representing fifty percent of Canada's population. This requirement, called for under the Constitution's amending formula, means that any proposed Constitutional amendment requires a minimum level of support from other participants to be successful.

We will be working very hard with other parties at the First Ministers' Conference later this week to achieve the necessary level of support to proceed with a self-government amendment. The people of Canada support the achievement of this goal and expect us to use our best efforts. Some middle ground has been identified. What we will be looking for is the political will on all sides to move towards a positive result.

The effort to expand and enhance our Constitution is a forward-looking process. Quite simply, it is an attempt to perfect Confederation. It is, therefore, essential that all Canadians become aware of the issues under negotiation and understand their significance. The Constitution is a living document that we share as Canadians and will leave as a legacy to future generations.

If Canadians do not take an active interest in matters such as the prosecution of alleged war criminals, or Constitutional amendment, it can only be that we have failed to involve them or provide them with the information they require to understand their Constitution and the laws that bind our nation together.

It should be obvious from this that I believe it is extremely important for Canadians to know something about our system of justice. Indeed, justice is not done if people do not know about the law and, therefore, do not have access to the justice system.

As Minister of Justice, I am committed to improving Canadians' access to the justice system. In this regard, I am impressed by the contribution of public legal education and information organisations across the country. These groups publish pamphlets, organise courses, develop mock-trial programmes, visit classrooms and produce videotapes, radio programmes and newspaper articles. They undertake these activities in order to provide the public with information about the law and our legal system.

I also applaud the provincial and territorial governments that have improved access to justice in their jurisdictions by supporting public legal education programmes.

I can proudly add that, while I have been Minister of Justice, my department has also published materials on the law that I believe have helped many Canadians understand more about our laws and our legal system.

All of this is important, valuable work. Shortly, I will be announcing how the Government intends to continue to improve access to justice by increasing the public's access to information about the law.

I would like to conclude my remarks by thanking you for the invitation to be with you this evening. You have allowed me the opportunity to share with you the Government's initiatives in some vital areas. With the respect to the Deschênes Commission, the Government has shown its will to act decisively and the Canadian public has endorsed the Government's confidence in the capacity of our own institutions and laws to deal with this difficult problem.

In all three areas I have outlined this evening, the paths we are following and the goals we are pursuing illustrate the Government's responsiveness to social and legal issues and will lead to greater equity and fairness of all Canadians.

The appreciation of the meeting was expressed by Nona Macdonald, President of The Empire Club of Canada.

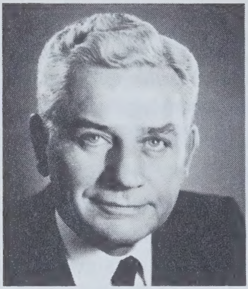
Nona Macdonald:

Tonight is an important event in the calendars of both The Empire Club of Canada and The Canadian Club of Toronto. It would be unrealistic to deny the controversial nature of the topic that our speaker has addressed. However, the Deschênes Commission of Inquiry on War Criminals has completed its work and what better forum to set forth the findings of the Commission and the Government of Canada's response than at this joint meeting and to remind us of the vitality of our judicial system?

Each of our clubs has been providing public-affairs platforms for decades and tonight marks another milestone in our special mandates.

Mr. Minister, this head table brings some Westerners together. TVOntario's Bernard Ostry is Saskatchewan-born, as is lawyer John Sopinka. You know by now that The Honourable Mr. Justice Joseph Potts and I are from your riding of Saskatoon—something we are proud to never let anyone forget!

Nor shall we forget your visit here and your lucid and fair presentation of a complex and serious subject. Thank you Mr. Hnatyshyn.



March 26, 1987

Grant L. Reuber

President and Chief Operating Officer,
Bank of Montreal

"CANADA-U.S. TRADE: A TIME FOR DECISION"

Chairman: **Nona Macdonald**
President

Introduction:

The American Humourist, Ogden Nash, wrote:

> "O, money, money, money!
> I'm not necessarily one
> Of those who think thee holy
> But I often stop to wonder
> How thou canst go out so fast
> When thou comest in so slowly."

Nash went on to say: "Bankers are just like anybody else—except richer."

The banker here today is not like anybody else but he is rich in talent and accomplishment. Before becoming the President and Chief Operating Officer of the Bank of Montreal, Canada's oldest and second-largest bank, his career has included leadership in Academe and government and his honours are numerous.

He is an officer of the Order of Canada. He holds honorary degrees from Wilfrid Laurier and Simon Fraser Universities as well as from his own *alma mater*, the University of Western Ontario, where between 1957 and 1978 he was successively Professor, Dean, Vice-President and Provost.

In addition, he has acted as chairman of the Canadian Economics Association, chairman of the Ontario Economics Council, and was elected

Fellow of the Royal Society of Canada in 1972. He is also Chairman of the C.D. Howe Institute and a Director of Sun Life Insurance Company of Canada and of the Institute of International Finance of Harris Bank Corp, and he is a Governor of the Stratford Festival.

How did someone from Mildmay, Ontario, prepare himself for such onerous responsibilities? Well,it isn't surprising to note that after receiving this Honours B.A. degree from Western, he went to that economist's Mecca, Harvard University, where he received both a Master's degree and a Doctorate in Economics, sandwiching in a year of research at Cambridge University in England.

He has published numerous articles on various aspects of the national and international economy. I first met Mr. Reuber when he was Deputy Minister of Finance for Canada, speaking to the Couchiching Institute on Public Affairs at the 1979 summer conference. I welcome him again.

His subject today is "Canada-U.S. Trade: A Time for Decision." Let us welcome Grant L. Reuber, President and Chief Operating Officer of the Bank of Montreal.

Grant L. Reuber

Trade negotiations between Canada and the United States are coming to a head. If they are to succeed, an agreement will probably have to be initialled by about the first of October—six months from now.

This timetable is influenced by several factors. First and foremost is the deadline imposed by the "fast-track" process in the U.S. whereby the agreement is referred to Congress on an all-or-nothing basis for approval. Other factors favouring a resolution of the issue this fall are the pre-election activities starting in 1988 in both the U.S. and Canada, the moderate but positive outlook for the North American economies for the next few years and the pressure in both countries for increased long-run economic growth.

In plain words, the time for decision is upon us. Negotiations are now entering that crucial stage marked by closed-door sessions, "no comments" from the principal negotiators, inspired "leaks" and behind-the-scenes horse trading. Special-interest groups are out in force in both countries, making it even more difficult to predict the outcome.

From the welter of polling results available, it appears that more Canadians favour substantially-free trade with the U.S.

than oppose it. Even in the traditional heartland of protection in Canada, Ontario, the polls suggest nearly as many favour an agreement as oppose it.

For some time now, the air has been full of predictions on what would really happen if and when an agreement is reached. These range from disaster to Nirvana. Some of you may recall the negotiation of the Auto Pact in the mid-'60s. Then, as now, there were predictions of substantial job loss, a surrender of political independence, an implicit Government-producer conspiracy to create a monopoly, and widespread hardship during a difficult period of adjustment.

In retrospect, it is clear that these pessimistic views were wildly off the mark and that the Auto Pact has, in fact, been a positive factor in this country. Indeed, the Auto Pact has become so sacrosanct in the public's mind that one of the concerns now heard about a general free trade arrangement is that in some way it might impair the Auto Pact.

Similar concerns about adjustment problems arose in connection with the Tokyo Round of trade liberalisation. Again the worries proved overdone.

Another perspective is that a trade agreement is more likely to assist in promoting global trade liberalisation than to hamper it. What's more, if and when it occurs, Canada will be in a stronger position to take advantage of worldwide liberalisation if it has already adapted to strong competition within North America.

As Réné Lévesque (former Quebec Premier) recently put it in his *Memoirs*.

"The future development of this country is going to depend more and more on our ability to meet the competition, wherever it raises its head. For a people whose home market absorbs barely half its production, the rule is to sell and export, or die on the vine. What we need are skates good enough so we can get out on the rink and learn to play with the Gretzkys of world trade."

What is being considered is, in fact, very much a continuation of a policy of lowering trade barriers that began in 1947 and has stood us in very good stead over the years. Today, by far the larger part of trade between Canada and the U.S. moves free of duties. What is at issue is the remaining tariffs, largely covering manufactured products. Even more important, rationalising and reducing the many nontariff barriers would prove highly beneficial.

Such nontariff barriers have proliferated on both sides of the border in recent years and now probably are a more important impediment to trade than tariffs. But perhaps the greatest benefit of an agreement, in my view, would be in establishing a more secure trading arrangement than we now have. Agreement on a code governing subsidies, nontariff barriers and a dispute-settlement mechanism to deal with such matters as countervail duties and dumping would represent a major advance in relations between the two countries.

In the next few months, we will be weighing in the balance the future growth and prosperity of this country as well as its political, social and cultural development. This is not a sectoral or regional or class issue: we are all in the same boat together.

Most independent studies indicate that free trade with the U.S. would increase Canada's real income by five percent or more. Employment would increase by three percent or more. How these gains are distributed for cultural, social and other purposes and among various parts of the country is a matter that will be decided independently in this country by and *for* Canadians.

Discussions become confused when consideration of the *gain* from trade for Canada as a whole is mixed up with consideration of how this gain should be *distributed* among Canadian citizens—and this is a question that remains fully within our own hands to decide.

Granting all this, I believe the main concerns about an agreement arise from the general uncertainty that any major policy entails and from fears about possible difficulties of adjustment for particular industries and communities.

But we must not forget that what is contemplated is a very slow process: a gradual reduction in trade barriers over the next decade or so resulting in essentially-free trade by about the year 2000.

This is similar to the pattern we have followed since World War II in removing trade barriers. Experience suggests that expected problems of adjustment tend to be exaggerated. If the process is stretched out over a decade or so, adjustment can be handled without much difficulty. Moreover, as further reassurance, the Government may wish to buttress an agreement with policies, as suggested by the Macdonald commission, to facilitate adjustment and to support those who may be adversely affected in the short run.

I'm aware that much of what I've said up to now will be familiar to many of you. Some of you may even agree. At this point, I'd like to stand the usual discussion on its head and raise the question of what is likely to happen if an agreement is *not* reached.

Four points I believe are immediately clear. First, as already mentioned, we can expect to have a lower standard of living—lower by five percent or more—and a lower level of employment. Secondly, we do not face a national calamity if no agreement is reached, even though it means we will have to do with less. Thirdly, the *status quo* in our trading relationships as well as in the economy is unlikely to be sustainable over the next decade. And finally, we will face a host of the same problems in this country whether an agreement is reached or not.

What about our trading relationships in the absence of an agreement? Presumably, we will continue to press for multilateral trade liberalisation, but this process has been moving very slowly and the outcome is highly uncertain.

Conceivably, we might also try to work out sectoral trade agreements with the U.S. and others. Not only is this possibility doubtful on economic and political grounds, but also there is no reason to believe that the U.S. or others have much interest in pursuing it. This option reminds one of the "third option" heralded with great fanfare a decade ago but yielding negligible benefits.

Still another option would be to meet increased protection abroad with increased protection in Canada, thereby denying ourselves access to world markets and access to world prices for our imports—a recipe that would carry a very high price for the country.

Realistically, the only alternative to having an agreement with the U.S. is continuing with our present arrangements.

But, under present arrangements, we will remain subject to the full impact of protectionist pressures in the world and particularly in our most important market, the U.S. Protectionist pressures in the U.S. are not new. They have, however, become much stronger in recent years in response to the bulging U.S. trade deficit and the election of a Democratic majority in both Houses of Congress.

Aside from any generally restrictive trade legislation that might be passed in the U.S., further applications of countervailing duties and other trade "remedies" are quite possible—such measures as were applied, for example, in the case of lumber. The future of the Auto Pact could itself be called into question, if only because of its contribution to the size of the U.S. trade deficit and the treatment accorded by Canada to non-American auto companies. Indeed, the chances of maintaining the advantages of the Auto Pact arrangements in my view are higher if we conclude a general free trade arrangement than if we do not.

Finally, Canada is less likely to benefit from the spillover effects from U.S. efforts to work out trade problems bilaterally with other countries such as Japan and those in Western Europe. Without an agreement, we would clearly be on our own, on the periphery and without much clout in a trading world that is likely to be anything but benign.

In these circumstances, the degree of uncertainty and adjustment to be faced is likely to be at least as great without an agreement as with it. We certainly will be just as exposed to external policies and pressures and no less vulnerable to their impact.

Indeed, one of the main purposes of an agreement, as already noted, is to firm up and secure trading arrangements with our largest trading partner. This said, one must also add that no one should expect that, because we have an agreement with the U.S., all problems of trade relations will disappear. What one *can* expect is that these problems will be reduced and rendered somewhat more manageable.

With or without an agreement, Canada faces substantial economic adjustments in the years ahead, as it has during the past several decades. In part, these adjustments will be driven by a variety of domestic factors such as demographic changes, changes in consumption patterns, changes in the size and scope of government, resource discoveries and so forth.

More important, however, are likely to be the adjustments required by overwhelming international forces. Foremost among these are technological changes, changes in international demand for goods and services, changes in trading policies and arrangements among foreign countries; changes in the international competitive position of supplies to world markets, changes in the structure and organisation of international enterprises; the list goes on.

We live, in short, in a highly dynamic, rapidly changing world. Nothing can shelter Canada from this wave of change. And our future prosperity depends heavily upon how readily and effectively we adapt.

My own industry provides a graphic illustration. In recent decades, Canadian banking has had to adjust to enormous changes in technology, financial instruments, and ways of doing business at home and abroad. We have had to adjust to the addition of more than fifty foreign banks—the Schedule "B"s—to the Canadian market. Various other financial institutions have infringed more and more on the traditional business of banking. International competition has become extremely stiff.

In response, Canadian banks have had to adapt on a major scale. This has entailed heavy investment in technology and in people, in upgrading the skills and expertise of existing employees through retraining, in developing and promoting new products, in changing the way we do business with our commercial and personal customers, in reorganising and streamlining our internal structures, in reassessing our priorities and focussing on these areas and activities that are seen as most promising, and so on.

Changes during the next decade are likely to be even greater. As you are aware, the regulatory framework governing Canadian financial institutions is about to be fundamentally changed. This will remove most of the barriers that in the past have delineated the activities of banks, trust companies, insurance companies, and investment dealers.

Financial institutions over time will infringe more and more upon each other's traditional turf, competition will increase, and consumers will gain better service at less cost. No doubt, there will be some pain and some casualties along the way. This process, under way in most industrial countries, is inescapable in a modern and growing economy.

I've talked about banking because that is the industry I'm most familiar with. But the same phenomenon of change and adaptation is, I dare say, common to virtually every industry in this country. This process will persist whether or not we have a trade agreement with the U.S. The question is whether this adaptation is likely to be more effective and less painful with or without an agreement.

Answers to this question will differ. My own answer is that an agreement will facilitate and ease the process of adjustment primarily for three reasons.

First, because of increased competition, the process will proceed more quickly, thereby avoiding some of the unnecessary difficulties and costs of a slow start and a grudging response. Moreover, with more secure trading relations, adaptation can be undertaken with greater confidence in the stability of the trading system.

Secondly, as a richer, faster-growing society because of the agreement, we will have more resources available and more capacity to help facilitate adaptation and assist those adversely affected by it.

And finally, an agreement is likely to induce closer harmonisation of trade-related federal and provincial policies, in the process making Canada itself more of a national market with a freer flow of goods and services within our own borders.

Gaining provincial government acceptance of an agreement and a willingness to implement those aspects within provincial jurisdiction pose a special complication for the federal Government in reaching an agreement with the U.S. A permanent committee of federal and provincial officials has been established to provide full consultation as the negotiations proceed.

In addition, First Ministers meet every three months to review progress in the discussions with the U.S. and there has been general agreement on the broad parameters for the negotiating mandate. All this helps to keep everyone informed, to build a consensus and to shape an agreement that reflects provincial interests.

The crunch will come if and when an agreement has been reached, not all aspects of which are likely to be completely to the liking of every provincial government. At that point, Canadian governments will have to confront long-standing issues of provincial trade barriers and of weighing the larger national interest against the regional interests of the province.

The outcome will be a test, for all the world to see, of national unity and of how strong we are as a nation. In my view, if the negotiations founder on this rock, the cause of Canadian nationalism will not be well served, nor will the world's confidence in Canada's future be encouraged.

There remain the controversial issues of political independence and the viability of Canadian culture if an agreement is concluded. Canada has, of course, always been closely knit into the international economy and, over the years, has become ever more so. Moreover, over time, the Canadian economy has become fully integrated into the North

American economy for a variety of fairly obvious reasons.

I see little evidence that we have become any less politically or culturally independent because of these stronger economic links. Nor am I aware of any evidence from other countries—for instance from European experience with trade blocs—that would suggest that a free trade arrangement with the U.S. would result in a loss of political independence and in cultural decline.

There are two major reasons for expecting exactly the opposite.

First, as already emphasised, by nailing down and securing our trading relationships with the U.S., we would make ourselves less vulnerable to the vagaries of U.S. policy. In effect, we would be reducing the scope for political interference by the U.S. in Canadian affairs.

Secondly, because of a substantially higher standard of living and more rapid economic growth, more resources would be available, if we choose to use them for these purposes, to pursue independent national policies and to support Canadian culture.

I simply find it implausible to believe that we will have greater political independence and a more highly developed culture if we are poorer rather than richer, and if our trading relationships with the U.S. are less, rather than more, secure.

There is another important consideration, Canada's cultural and social development, its political cohesion and its independence as well as its economic prosperity, in my view, depend substantially upon limiting the gap in per-capita income between Canada and the U.S. That gap had been narrowing up to 1976. Since then, it has been widening. And now it is roughly the same as in the early 1950s.

This growing gap encourages a net exodus of human capital in the form of able, well-trained and enterprising Canadians as well as of other forms of capital investment.

The negative economic, social, cultural and political effects of such an out-migration of people and investment capital are considerable. I believe they will substantially outweigh the negative consequences of a trade agreement that serves to reverse the current trend and narrows the gap in real incomes between the two countries.

There is, of course, much more to be said on this subject. No doubt you will be relieved to hear that I do not intend to say it here. We can agree, I'm sure, that, over the next few months, Canadians face one of the great national decisions of this century. Many of the questions that arise are difficult and controversial and the answers are far from clear.

Earlier this month the Prime Minister summarised Canada's principal demands for a trade agreement:

- Changes in U.S. trade remedy laws, such as those applying countervailing duties to lumber;
- Reduction and elimination of tariffs;
- Removal of nontariff barriers.

Whether it will be possible to arrive at an agreement along these lines that is acceptable to both governments remains to be seen. It will not be an easy task.

If an agreement is reached, no one can be sure exactly what the outcome will be. In the end, accepting an agreement will require, in the words of Don MacDonald, "A leap of faith." What is less apparent, and what I've tried to emphasise in my remarks, is that saying "no" to an agreement will also require at least as great a "leap of faith."

The world will not stand still; the *status quo* has no future; substantial change will inevitably occur; and, one way or another, we will be affected. Few believe that an agreement will be an unmixed blessing. The question is whether Canada will not fare better or worse with an agreement or without.

The appreciation of the meeting was expressed by Catherine Charlton, M.A., a Past President of The Empire Club of Canada.

April 2, 1987

Penny Williams

Editor, *Your Money* Magazine
With Co-panelists Ken Wyman, Director, Ken Wyman & Associates, and Susan Murray, President, S.A. Murray Consulting Inc.

"THE EXPERTS AND YOU: GETTING YOUR MONEY'S WORTH"

Chairman: **Nona Macdonald**
President

Introduction:

Today we have three experts talking about experts. Susan Murray and Ken Wyman will be introduced in a moment by the organiser of this panel—Penny Willaims—who is the founding editor of *Your Money* magazine, Canada's first personal-finance magazine, launched two years ago.

The editor's desk is not new to Miss Williams, she has been editor of *Calgary Magazine, The Insider's Calgary*, and translations editor of the *Canadian Encyclopedia*. Fluent in French and Spanish, she has produced public-affairs radio documentaries for CBC network, most notably the "Ideas" series, and for the Alberta Provincial network CKUA.

In the corporate world, Miss Williams has written for the Canadian Petroleum Association and for executives in the major energy companies. She has been a judge for the National Magazine Awards, the 1985 Author's Awards and the Western Magazine Awards.

After receiving her degree in Political Science from York University, she joined the Canadian University Service Overseas (CUSO) as a Volunteer, establishing a community radio station in a Peruvian jungle valley. Later, she became a staff officer for the Canadian Save the Children Fund and for Oxfam-Quebec.

Born in Montreal, Penelope Gail Williams is a director of both CUSO and MENSA Canada. She is on the Advisory Board of the Economics Institute of the University of Western Ontario.

Penny Williams' professional workshops and seminars are always sellouts but I was fortunate to attend one under the auspices of the Canadian Public Relation Society's Toronto chapter, and that is why Penny is here today. Let us hear from our trio of speakers, but first from the editor of *Your Money* magazine on the topic: "The Experts and You: Are You Getting Your Money's Worth?"

Penny Williams

Today you get three for the price of one. I'm not only going to talk about how to deal with the experts; I'm going to demonstrate it. I have brought along two of my own. I should like to introduce them now.

First, Susan Murray. In 1982 Susan Murray founded her own firm, S.A. Murray Consulting Incorporated, which helps client firms work most effectively with government. She has an appropriate background for that sort of thing, since she had previously worked with two firms that specialised in investor client and government relations, has worked within government itself, and has also designed and chaired or co-chaired several government relations conferences. Despite all her other activities, she also has time to write the occasional piece of political analysis for our magazine, *Your Money.*

The second expert I brought with me today is Ken Wyman, whose specialty is fund-raising. He is the Director of Ken Wyman and Associates. His firm specialises in helping community groups with their fund-raising, volunteer mobilisation, and public relations work. But can he practice what he preaches, you ask? And the answer is "Yes, indeed!" He was for a time Director of Fund-raising for Oxfam Canada and tripled the revenues, bringing them up to $1.2 million a year.

As he says, "I can honestly say I have raised millions for charity." Indeed, he is now writing a book on the subject, commissioned by the Secretary of State, working title: "Everything you need to know to get started in Direct Mail Fund-raising." When it is completed, it will be distributed to charities across Canada.

You might say that among us we intend to discuss with you everything you need to know to get started in dealing with the experts. But I *do* have an initial problem. Who are the experts and how do I address you, sitting as you are in The Empire Club? Are you experts or non-experts? Do I talk to you as experts, explaining the fears and mythologies of the non-expert, or do I assume you are all non-expert together and we can worry collectively about what to do about experts and expertise? But, of course, the answer is we are all both.

I know that in this gathering, if we are to take any one of the topics of the day, acid rain or Star Wars, trade with China, tax reform, the starving in Ethiopia, among us we would come up with people who could give a very useful, very expert analysis of the situation.

But I very much doubt there would be any one person who could adequately explain all of them. In other words, we are each expert at something, but we are well aware that we are extremely non-expert at a great many other topics and well aware that they are going to affect our lives; thus we need to deal, we need to cope, and we have this kind of love-hate relationship with expertise, we are hobbled by the old mythologies.

I find this reinforced by my work at *Your Money*. Our readers, who are successful business people in their own fields, certain of their competence in those areas, certain of what to do in their lives, are wary and timid when it comes to the matter of their personal finance. They feel they should seek expert advice, but they are intimidated by or fearful of seeking professional advice. There is something intimidating about it.

However, I have discovered that the financial advisors with whom we work, the so-called experts, are like the rest of us; outside their own areas of competence they, too, worry about the issues of the world. And they, too, can be as intimidated by the business of seeking out and making use of expert knowledge as we are.

We are all expert and non-expert at the same time, but we don't act on our knowledge of this fact. We don't seem to believe and act on what we know. We are either suspicious of the experts and therefore stay away from them, fearing their manipulation, their control, or we fall passively into their arms and expect them to somehow work magic without doing anything ourselves.

At the personal level, we worry, "How can I possibly know when the expert is right?" and so the question for all of us, whether we are dealing as individuals or as a society, is how may we make appropriate use of experts, both in our lives and as a nation, in order to reach our goals. How do we choose our expert? There are no certainties, but there are strong indicators and I would stress some of them:

- Beware of the person who makes big claims for what you are going to get out of it—huge gains or instant gains or certain gains. Beware of someone who presents a cartoon image of the situation that has to be dealt with, because the reality is going to be more complex.
- Beware of someone who hands out the definitive solution. As a society, we crave quick "fixes", easy solutions, but such are not realistic.
- Beware of heavy pressure to act now, which usually means pay now without thought or question.
- Finally, beware of the expert who is famous only for being famous—putting out a big fat book, for example.

What I'm talking about is common sense. Put those claims of the expert into the larger context; connect them to all the other factors in your life, so that you can then evaluate them. The key point in this partnership is a sense of context, the context in which we want this expert to operate. We start to demythologise expertise when we put the experts themselves back in the human context. So we use our experts best, we get our money's worth, when we use them in their own niche. For example, we consult our lawyer or accountant or a financial planner, some one person to help us. Who is responsible for seeing you get your money's worth? You are; you are the one who is paying, after all.

I see it in terms of a contract and I see it this way: You are the non-expert. You are consulting the expert, but should make preparation beforehand so that you know why you are meeting with this person. You must pay attention during the meeting, rather than being too intimidated to listen to what is happening, and you should certainly participate during the meeting. If you don't understand what is being said, if it doesn't make sense—ask. If you don't ask, the expert can't tell you. You also need to think afterwards about what has been said and follow through. Think about it and decide how you are going to incorporate it into your life. That is your side of the bargain.

The expert also has responsibilities: competence, clarity, courtesy and follow-through. If you are participating in this relationship and trusting your own intelligence and your own common sense, I would suggest the following points.

1. Has this expert the credentials that research tells you are important in this field? Has he or she good references from clients similar to you?
2. Are your questions answered? Are they answered clearly or are they brushed off?
3. Does working with this person make you feel clearer about the subject matter at hand or does it just get more confusing all the time?
4. Does this partnership help you set and then reach your own chosen goals?
5. Does this person's style and advice make sense in the context of the world you notice around you?
6. Finally, are you comfortable?

If you can say yes to all of the above, you are working with someone who is helping you learn more, do more, and be more of what you want to be, and that means he or she is the right expert for you.

We are, of course, not always in a situation where we are able to deal one-on-one. We may wish to make some decisions and yet we cannot conveniently sit down with one person. Take charities for example. There are all those good causes and you must decide which you might support of the many that approach you. How do you judge? Well, I know what to do at this point; I call in my expert: Ken Wyman.

Ken Wyman:

I'm going to be wearing two expert hats today. I'm here as a fund-raising consultant and, as a fund-raising consultant, I want you to ignore all the following good advice and make impulse gifts to all my clients cheerfully.

However, I'm also going to share with you some of the tricks of the trade we use to encourage you to give. It's a little unfair to ask me to help you to cope with people like me but I'll try. I'm also here as a fund-giving consultant and in that capacity I'm going to give you the same, I hope good, advice that I give to foundations and to corporations on how to make the best donation decisions—how to be your own expert philanthropist and you must be an expert philanthropist today.

Why do you give at all? Why do you give to certain charities and not to others? The decision is far more complex than choosing a brand of toothpaste or even an RRSP. In part, because the number of registered charities in Canada is mammoth. There now are fifty-five thousand registered charities in Canada that want your donations and the numbers are growing by about five every working day. There will be another ten percent by the end of this year.

Now, you have to understand the motivational tricks used by experts to get you to make your contribution.

First, I want to counsel you that you must beware of charities. Not everybody that comes to you asking for a contribution, even for what sounds like a good cause, is truly a charity registered with the Government and legitimate. Many of them have good causes. For example, there are organisations of disabled people who paint greeting cards and try to sell them to you through the mail. They are legitimately disabled people, the cards are legitimately painted by them, but they are not a registered charity. The one that I'm thinking about will tell you that. It says, "We are not a charity." They take pride in that, more power to them for setting up their own business.

Here are some motivational tricks. First and foremost, we try to make arrangements for someone to ask you face-to-face for your contribution. Now this is especially dangerous for you if the charity has carefully, perhaps slyly, arranged for you to be asked by someone you have previously asked for a donation to your charity, or someone you owe a favour to, or someone you are trying to impress, such as a senior lawyer, tax accountant, insurance executive.

A compelling appeal comes in the mail or on the phone or in an ad and this is trick No. 2. It's made more compelling by having the letter signed by "experts" such as celebrities, or doctors. We did a research study through Gallup a few years ago that showed that sixty-one percent of Canadians trust doctors on any topic: golf scores, how to invest in RRSPs, what charity to support. The second-highest category was the police. Interestingly, forty-nine percent of Canadians said they trust the police, fifty-one percent presumably did not! University professors were the third-highest category and so I counsel my clients to use them. You may be interested to know that at the very bottom of the list with percentages that would not make anybody proud were, in order, politicians, journalists and union leaders.

People believe that say, Anne Murray, knows more about an international cause than you do, or that the fact that a prince or princess is a patron of the charity seems to have some special impact. The result is what we call world credibility or glamour by association. This works very well in high society events as well.

Thirdly, a cause becomes the media's current hot topic as Ethiopia did, as AIDS has become, even though the problem may have existed for years. One of the greatest frustrations for those of us working on international charities was that the Ethiopia crisis had been building for ten years before it suddenly became the media darling and we were finding it very difficult to get people to give at the earlier stages. It may not be solved by the time the media grow bored and move on—the problem may continue. It's one of the greatest frustrations that charities have.

A fourth trick is based on the fact that you care about an issue or fear you may have to care about an issue and the charity uses every trick in the book to build an emotional link, either a positive one or sometimes a negative one. For example, Terry Fox very positively helped us realise that we can survive cancer and perhaps that is one of the reasons the health charities do so well. Or you're thankful that your university education helped you get a good career so you give to the *alma mater.* Or you see a Food-Share coin can in a restaurant or beer store at the very moment when you are feeling most guilty and so you make a contribution. Or you make a religious donation because you've had a glimpse of your own mortality.

One wag at the Salvation Army, feeling outspoken one day, pointed out that people in their later years give more to charity than anybody else and he says it is because "they are cramming for their finals." I suspect it's true.

How do you cope with all this? Here are some tips on how to plan your giving and that's one of the core issues—you must plan your giving—don't give only in reaction to being asked. That's the classic dictionary definition of being a reactionary. Besides, the charities you may most want to support may never ask you, you may not happen to be on the right mailing list. I suggest that you be pro-active.

Consider what your priorities are. As Penny said a few minutes ago, "Know your goals." What issues do you care most about? It's OK to have more than one priority—most Canadians give to several charities—and for your priorities to change with time. Where can your donation, for example, have the most impact? Smaller grassroots causes may find that a contribution from you of a relatively small amount of money can go a long way, whereas a larger charity feels it is just a drop in the bucket.

Altruism is not a bad quality to have. What is greater than yourself that you would like to see achieved to make this world a better place?

It is also fair to talk about enlightened self-interest. For example, what does or could possibly affect you, your family, your friends, your community? What affects your livelihood, your employees, your customers, your operating environment?

For example, if you work in a company that employs single mothers you might fund day care to reduce absenteeism—a perfectly sound motive and everybody will be happy. Or someone posted to an oil company's office in Fort MacMurray might decide to fund a tour of the opera company or the ballet to try to convince his family that it isn't such a hardship posting after all. Or an insurance executive might decide to fund fitness programmes because healthier policy-holders mean fewer payoffs. Well, perhaps it's a little cynical, but those kinds of motivations are not unreasonable.

The second tip I would like to suggest is that you set aside a donations budget for yourself. Don't just give out of what happens to be in your pocket or cheque-book account. Remember tithing? Ten percent should be set aside for charity. Some people call that a minimal amount. Revenue Canada will allow you to contribute up to twenty percent and take deductions for doing that.

Interestingly, the Talmud prohibits you from giving more than twenty percent in case you impoverish yourself. However, if you already are impoverished, that's no excuse. The Talmud specifically says that, even if you are a recipient of charity, you must also give to charity.

Don't forget some of the ways you can maximise your giving ability or making yourself your own expert money manager when it comes to charities. For example, take advantage of those tax deductions that the Revenue Canada people so gladly give you. Many Canadians fail to deduct the donations that they are entitled to.

Consider giving "in kind" via goods, services, volunteering your time. Consider giving through a payroll plan; if you never see it on your paycheque you won't miss it nearly so much.

Consider setting up a monthly plan such as an electronic funds transfer programme; you're probably already paying a mortgage or car insurance or something through that kind of plan. It makes it easier to give ten dollars a month than to write out a single cheque for one hundred and twenty dollars.

Look for opportunities for matching gifts from your employers or the Government or foundations and if you are already giving all the cash you can now; consider wills, life insurance and bequests that help you give when you no longer need it.

During the Vietnam War, life insurance became very popular, particularly among black soldiers. They were all issued Government insurance policies, GI policies, and a great many of them decided to make the beneficiary of the policy the Black Panther Party. Interesting that all were removed from combat duty immediately. The Government presumably did not want to be in a position of paying off one of those policies. This is perhaps the only known case of life insurance actually saving any life.

Tip No. 3: Investigate the charities. Comparison shopping is OK. For example, how do you choose between competing charities? In Ethiopia, for example, should you sponsor a child or should you sponsor community aid? Those are tough choices.

Ask for annual reports of each charity. Don't look at just what we send you in the direct mail. Ask for an audited statement, if you are interested in the financing. Read the project descriptions. Find out how the projects are chosen, how they are evaluated for success. Are the projects practical?

Find out whether you can ask to have your donation earmarked for certain projects or steered away from projects that you like less. Is this request meaningful? Is there any change in the budget as a result of your earmarking?

Consider their fund-raising and administration costs. Consider them carefully. The Government has a rule that says charities can spend no more than twenty percent of the money they raise on fund-raising and administration combined. Realistically, the costs may be higher.

For example, all those letters you receive in the mailbox and you say to yourself, "Where did they get my name and address?" Those are called prospecting mails. On a prospecting mail, people expect to break even, to raise as much money as they spend. What they are looking for is names, not dollars. Now that doesn't mean that you shouldn't contribute to them, but you have to understand that, on those mailings, the costs may be much higher.

I'm on the Board of the Canadian Society of Fundraising Executives, of which I am a member. The Canadian Society and our sister organisation in the United States tried two years ago to set up a method to calculate fund-raising costs so that we could compare across the board and say what is fair. We tried to decide whether a letter that was sent out to you was pure fund-raising or also contained educational material.

We were unsuccessful, as were also the Better Business Bureau and the Canadian Institute of Chartered Accountants.

These facts may be discouraging, but it's tremendously important that you not underestimate the power of your gift. A few hundred dollars can be a very large gift for most organisations. Less can do a great deal.

Without your donation, we couldn't hear the music that sometimes keeps us going for another day. We couldn't help a young mother to break the poverty cycle for her children. We couldn't have done the medical research that almost certainly saved the life of someone in this room right now.

However, in conclusion, and I want you to pay very close attention to this point—gaze into my eyes—you will disregard all the previous advice, and the next time a charity that is a client of Ken Wyman & Associates asks you for a contribution, you will give it all your money. You will wake up now in three, two, one.

Penny Williams

Ken Wyman and I have been discussing how the individual makes these kinds of choices, how we reach out, tap expertise, try to behave like an expert as best we can. Our governments try to that on our behalf and they, too, on occasion consult with the experts. Our question therefore is: Are we getting our taxpayers' money's worth when they talk to the experts? And for this, of course, I talk to an expert: Susan Murray.

Susan Murray:

I heard a story the other day about a chief executive officer who set out to recruit an economist for a newly created position. A headhunter asked him for the qualifications he sought in candidates—age, education, compensation requirement, experience. The CEO said he didn't care about any of that, provided that the headhunter could find him a one-armed economist.

"One-armed?" asked the headhunter. "Why one-armed?" The CEO replied:"Because I don't want one of those fellows who give advice by saying: 'Well, on the one hand, and, on the other hand.'"

The CEO was clearly in favour of action over process. The story, I think, helps illustrate the real dilemma: not how expert the experts, but how expertly the experts are used.

My firm provides government relations services to Canadian-based companies and associations from monitoring to analysis strategy, implementation and, when required, representation.

In our work for our clients, we get a front-row seat on the performance of government, one of the grandest stage plays in the land. Governments are different from business: governments have deficits, business has disasters.

Government can raise prices just about any time it wants, often invisibly, because it is the only game in town, and government is different because of the motivation of the people who drive it. The real forces are politicians and bureaucrats who fervently believe they know what is best and can decide what is best for Canada and for Canadians.

And who is government? At the elective level, these people come from all walks of life and background, levels of experience, and sophistication. They range from firefighters to insurance brokers, lawyers, journalists, business people, the community activists. From these backgrounds, they suddenly become members and ministers and are reliant upon bureaucracy and outside submissions and counsel to help them make national and international policy. They must make decisions with long-term effects on the quality of life in Canada, decisions in so many areas the majority could not possibly be knowledgeable in enough to make the best possible choices.

Governments have to try to represent all public interests, balance a myriad of competing self-interests, sort out the facts of all issues with which they are empowered to act from the emotional, overblown and wrong-headed perspective on every issue from tariffs to housing, interest rates to the environment.

Who are the experts government listens to? Government's use of experts is tiered. For individual projects they (1) hire through a bidding process by ministry or department, (2) they appoint experts from auditors to tax specialists on specific financial projects, and (3) to develop direction for broad policy, as we all know, they appoint experts to carry out in-depth analysis of how they should proceed on any given issue from task forces to royal commissions.

For example, in the Province of Ontario the Dupré Commission was mandated to review how Ontario should move on financial deregulation of the banks, brokerage, trust and insurance companies and how Ontario should relate to the rest of the country and internationally.

Another area under review is child care. A select committee in Ottawa released its report for a national approach to daycare this week. Such topics usually get thrown into one of these studies when there is growing pressure for government to respond. Broad policy committees and task forces hear from expert witnesses and the general population by holding public meetings across the province or the country.

Government's use of experts is widespread, but how well are the experts used? When the expertise is part of the decision-making process, the chances of achieving value for money are pretty good. However, when the experts become a process alternative to decision-making, the result is little different from a parallel situation in the private sector.

Sometimes governments act as impulse-buyers to frame tough decisions to buy time and political points or they listen to the experts substantiate their particular philosophical bent or point of view.

I know of an incident in which an expert was retained at a handsome fee to write all but the last page of a report. The government client had already written the conclusion. I don't think that is an isolated example, by the way. I'm not sure the kind of expertise that governments have sought would be all that agreeable to everyone in this room.

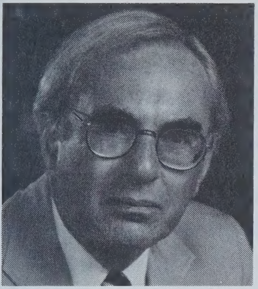
Surely the experts most fashionable in the seventies and eighties have been the pollsters. Their influence has ranged from time to time from considerable to absolute.

It has become routine and the new expertise is the use of polling data, not so much in determining policy but in shaping and packaging the data more attractively.

In future trends, governments will have to look again to the communications experts, to a new gaggle of economists and even, judging by observations our firm is making, to lobbyists, in order to reverse the current and to represent complex government policy to the business community, and to develop critical consensus on complex structural issues such as tax reform and free trade.

Will governments continue to rely heavily on the experts? Absolutely! Will they make good use of the expertise? Yes and no. Yes to the decisive, no to the process-oriented who would prefer consultation to decision and inertia to pro-activity. In the end, surely, the successful decision-maker is the ultimate expert.

The appreciation of the meeting was expressed by The Honourable Roy Maclaren, P.C., a Director of The Empire Club of Canada.



April 9, 1987

Allan Gotlieb

Ambassador to the United States

"SOME CANADIAN MYTHS ABOUT THE U.S."

Chairman: **Nona Macdonald**
President

Introduction:

Allan Ezra Gotlieb was born in Winnipeg in 1928. He received his B.A. degree from the University of California at Berkeley and, as a Rhodes Scholar, went on to Oxford for an M.A., a B.C.L., and the Vinerian Law Prize; thence to Harvard for an L.L.B.

While at Harvard, he was on the Board of Editors of the prestigious *Harvard Law Review* and won top honours in his class—not bad for a start! He joined the Department of External Affairs in 1957 and went through the bureaucracy to become Under Secretary of State for External Affairs in 1977.

Along the line he has been a Deputy Minister of Communications, of Manpower and Immigration, also a Director of the International Development Research Centre, the National Film Board, the Export Development Corporation, and a Governor of Carleton University.

He is the author of four books and many publications about international law and federalism and he is a collector of the French artist Tissot.

In 1981 he was appointed personal representative of Canada's Prime Minister for the Ottawa Summit Economic Conference and, in December of that year, took up his current posting in Washington. There he is a key player in our trade negotiations, openly tackling members of the U.S. Congress on trade issues, which he describes as "hand-to-hand combat."

The other kind of combat the Ambassador enjoys is not on the tennis or squash courts but over the chess board. In fact, his aversion to the sporting side of life is well illustrated by a story his journalist wife tells. While on the job reporting for a national magazine in the U.S., they went together to a diet clinic spa in Florida where Sondra, who was doing an article on the place, followed the regimen religiously from dawn to dusk and lost two pounds over the week. The Ambassador spent his time in the library reading, and lost ten pounds.

So let us welcome our Ambassador to the United States, Allan Gotlieb. He will debunk or confirm some of the myths we have about the U.S.

Allan Gotlieb

Myths define a nation; they give it a name, an ethos. They delimit a nation.

But myths can also limit a nation, if they are allowed to substitute for vision, if they become a retreat from challenge, if they become a refuge from reality.

At this crucial time in relations between Canada and the United States nothing is more important than to have a sound understanding of ourselves. But closeness does not always bring clarity of vision.

So I have recently talked quite a lot to Americans about how they perceive, or misperceive, Canada-U.S. trade. I have called their misperceptions the seven deadly myths. I listed them as follows: that Canada is not the American's biggest trading partner; that we try to keep our dollar low to gain an unfair trade advantage; that we have piled up huge trade surpluses; that we subsidise trade and the Americans don't; that public-sector ownership automatically equals subsidy; that we are not the biggest energy supplier to the United States; and that a free trade agreement would benefit only Canada and not the U.S.

All these statements are indeed myths, American myths, and they are hard to eradicate. But at the Embassy in Washington we are doing our best.

Today I want to deal with what I think are some unfortunate myths or misconceptions that Canadians have about the U.S. and about our relationship with the U.S.

"There are no psychiatrists," as Canadian author Robertson

Davies has said, "who minister to whole nations." And Ambassadors are not, in any case, surrogate psychiatrists to a nation's soul.

But as Canadian Ambassador in Washington, I believe that I have a favoured position to observe both American myths and misperceptions about Canada and Canadian myths about our American neighbours. So forgive me for my boldness in seeking to illuminate this territory.

No country, other than the U.S., so attracts our interest, excites our admiration or stirs our anxieties.

The first myth is the intellectual myth that we Canadians understand the United States, but the Americans don't understand Canada. Only the second part of the proposition is true.

There is no doubt in my mind that the Americans know less about us than we know about them. The border, as Margaret Atwood has put it, often seems like a one-way mirror. We see the Americans. They see themselves.

When we look at the Americans, we often do so to seek reassurance about our image of ourselves. Regrettably, when they look at us, they think of stereotypes—the 3M's—Mounties and Mountains and Molsons. They cannot fathom what we are driving at, especially when we talk of our national identity and express concerns about our culture and sovereignty.

By the time a Canadian is eighteen years old or so, he or she has absorbed more information about the United States than an American will ever encounter about Canada in his lifetime. Virtually every Canadian visits the United States sometime; in fact, often; some have condos there; millions take vacations in Florida or California; many of us have gone to school in the U.S., or attended any number of conferences, or visited New York for many a lively week-end. All of us have watched a zillion hours of U.S. TV programmes and movies.

So perhaps Canadians can be forgiven for believing that we have some unique insight into the U.S., for believing that knowing and understanding our American cousins, is, so to speak, our national birthright.

Well, maybe the giant stands too close for us to see it in perspective.

We see part, or the part we fear, or the part that appears most obvious, or the part we want to see. But I sometimes question the clarity of our vision and of our understanding. And while information is important, it is not the *equivalent* of understanding.

Of one thing I am sure. Our comprehension of the significance of American power to the American psyche is incomplete.

Of another thing I am equally sure. Our appreciation of the way the Americans govern themselves is also incomplete.

By the time an American is eighteen years old, he or she knows that security is not a political abstraction.

Americans know that their role in the world is pivotal, that their country is powerful, not just influential, that, judged by a number of standards, theirs is the most powerful country on earth. Americans know there are Minuteman III missiles in silos in Kansas and elsewhere and Trident submarines concealed beneath the seas. Americans comprehend, if anyone can comprehend, their awesome capacity for destruction. They know that it is their responsibility to control those weapons. They realise that one day, God forbid, it may be their duty to defend themselves and the Alliance by using them.

They may wish it were otherwise but they accept this power and the responsibility of custodianship it entails. No Canadian has ever borne such responsibility. Few Canadians can, therefore, comprehend the impact this has on the American character and on their world outlook.

Not that most Americans welcome the responsibility. And, to their credit, and to our benefit, I believe, they are not comfortable with the idea of empire. Most would prefer to be left alone.

Nor do Canadians fully understand how the Americans govern themselves.

Most Canadians know of Madison's famous Constitutional principle of the separation of powers—checks and balances among the three branches of government—the executive administration branch, the legislative branch and the judiciary. But, after five years of service in Washington, I believe I am entitled to say that few Canadians really understand the significance of those divisions.

Canadians just don't fully grasp that it is the Congress that is responsible for trade and that the powers the Administration does have are largely delegated to it by the Congress. Hence, it is the Congress that is now originating all the trade initiatives and concepts—reciprocity, automatic retaliation, natural-resource subsidies. Most of these are bad ideas.

It is the Congress that is now poised to pass one of the most far-reaching trade bills in history. One that will rewrite U.S. trade law in many fundamental respects, to the detriment of America's trading partners.

Every Canadian businessman should appreciate the role of Congress in trade. Indeed, every Canadian school child should know it and understand it.

Nor have many Canadians registered just how profoundly the American Government system has actually changed in recent years. The Congress has become, in a relatively short time span, a very fractionalised, fragmented body, with decision-making dispersed among dozens and dozens of influential and often competing Committees. Indeed, in many respects, there is no one more powerful in the U.S. system than the Chairman of a sub-committee. If he is skillful enough, and patient enough, he can literally write the law of the land. With the help, of course, of the special interest groups and the lobbies that are so prominent on the Congressional political landscape.

Although there is emerging a discernible American foreign policy towards Canada, it is often obscured and overpowered by an agglomeration of domestic policies that affect Canadian interests. These domestic policies—from trucking deregulation to energy regulation, from banking controls to environmental controls, from interest rates to freight rates—are increasingly driven by the special interest groups.

My point here is that Canadians cannot be comfortable with the idea that somehow we are privileged to understand the American system. When it comes to understanding the intricacies of the U.S. political system, we have to work at it: Ignorance on our part is our most dangerous enemy.

Myth number two is a psychological myth: that Canada somehow cannot compete with the U.S.A. Nothing could be farther from the truth.

The fact is we *do* compete with the Americans, all the time.

Poor little Canada, only one-tenth the size of the U.S.A. In 1986, poor little Canada had a trade surplus with the U.S.A. of 12 billion U.S. dollars. Not the 23 billion of which we are accused but a mere 12. And an over-all surplus of almost three billion U.S. dollars, counting both merchandise trade and services.

Poor little Canada is literally remaking the face of American cities—look at what Olympia and York, and Cadillac Fairview, for example, are doing in New York, Washington and Los Angeles, in Denver, Minneapolis, Houston, and Dallas.

Poor little Canada is investing more equity capital, in absolute terms, in the United States than almost any other country is. And we are also investing more money in the U.S.A. on a per-capita basis than almost anyone but the Americans.

Canadians are running some of America's largest corporations and unions. They are the faces of some of America's largest television organisations.

Let us shed once and for all the ten percent syndrome.

Myth number three is an historical, even hysterical, myth: that the United States is secretly hungering to take Canada over.

Perhaps this belief is a hangover from an earlier time when many Canadians believed, or seemed to, that we were sitting on top of the treasures of the world and everyone wanted to grab them.

This myth holds that every American investment in Canada is a 20th-century expression of manifest destiny, that every exercise in bilateral co-operation entails a unilateral sacrifice of Canadian sovereignty, that Canadian negotiators are outsmarted at every turn by the sharp Yankee traders, that the United States is cleverly waiting for a hapless Canada to fall into its lap.

The fact is that most Americans do not even think about Canada, most of the time. Were it not for weather reports, many wouldn't think about us at all.

Indeed, the dominant view of Americans today is shaped by the role the U.S. has played in the world's economic recovery. It sees most of the rest of the world lined up at its door, trying to sell more and more goods into the worlds's largest, richest domestic economy. The Americans believe, to a point of religion, that everyone wants better access to their market. They are absolutely right.

As the great Swedish economist and Nobel laureate Gunnar Myrdahl once observed, "No country is so parochial as a large one." And the United States is a vast country, a turbulent, pluralistic, competitive, confrontational, litigious society, almost totally absorbed in the near-impossible task of governing itselt. Americans have little time and less inclination to look northward at all, let alone with empire on their minds.

I often think that what most Americans really would like is to be left alone. That's what protectionism is about. That, in the minds of some (not all), is what SDI is about. Many Americans would like to make themselves invulnerable again, not so they can dominate the world but so they can escape it.

Myth number four is a cultural myth: that U.S. culture is so strong, so overpowering that Canadian culture will be extinguished if we have a free-trade deal with the U.S.

It is undeniable that American culture is very powerful, both in artistic and anthropological terms. It poses serious problems for some of our cultural industries—films, and publishing for example. These problems should not be underestimated. These industries face high project costs, short runs, large risks, and competitive foreign products. The Government recognises that it has a responsibility to ensure fairness for them—to provide a level playing field, to use a popular U.S. phrase—and this must be done while respecting our international obligations. This we can and are doing.

But the Canadian myth probably ascribes still more power to American culture than it really has. It ignores, for example, the fact that although most of our trade with the U.S. is already free of tariffs and the U.S. takes eighty percent of our trade, our arts and athletics are experiencing an explosion of excellence. We are standing taller and taller on the world stage and should be both proud of it and confident of ourselves.

We have world class writers in Robertson Davies, Antonine Maillet, Margaret Atwood and Mordecai Richler, to name a prominent few. We have world class talent in music and the performing arts in Jon Vickers, Oscar Peterson, Denyus Arcand, Michael J. Fox, the Stratford Festival Company, and the National Ballet. And we have world class athletes in Ben Johnson, Brian Orser, Wayne Gretzky and Alex Bauman.

Obviously, Canadian talents are thriving on the challenge and competition of the wider world; and no one is suggesting for one moment that we give up the means of helping them develop their talent.

No one is going to bargain away Canadian culture on the negotiating table.

But, in my view, what we need and what we will achieve is ever more excellence. And excellence, more often than not, is forged in competition.

Myth number five is a trade myth: that the U.S. people and public are deeply committed to free-trade throughout the world, that there is consensus in the U.S. that global free-trade is in the U.S. national interest and that protectionist pressures represent a temporary blip, a mere short-term tendency not derogating from the U.S. desire for global free trade. Would that these perceptions were all true. But they are not.

Protectionism in the U.S. is not a temporary aberration. It is true that the President and Administration are deeply opposed to it. But protectionism is a deep-rooted political response to structural problems in the U.S. economy.

The United States has steadily lost some of its competitive edge. Between 1982 and 1986, the U.S. merchandise trade deficit worsened in nine of ten product groups. Also between 1982 and 1986, the U.S. bilateral trade position worsened against all ten of the U.S.A.'s major trading partners—in fact, against 19 of its top 20 trading partners. Meanwhile, the proportion of U.S. imports subject to U.S.-imposed quantitative restrictions has been growing apace, and is probably in the area of a quarter of its total trade.

Nor does the near future look especially promising. Imports are continuing to outpace exports. Part of the cause is the overvalued dollar, in which the U.S. budget deficit has been a factor. The dollar is coming down. But just as it was not, by itself, the sole, or even principal, cause of the American deficits, so it will not by itself be the solution.

Broadly speaking, the reason for United States trade deficits can be traced to global economic interdependence and the competitiveness and productivity of old and new trading partners. Together, they have had a heavily negative impact on U.S. trade balances. So the weaknesses in the American economy are not going to go away soon.

Indeed, protectionism has become a patriotic issue—a flag issue. Some Democrats believe the Republicans stole the flag in 1980 and they are going to get it back in '88—through trade. But the issue is really non-partisan—and the political sentiment that the rest of the world is not playing fair is deep, broad and growing.

Comparing the 1983-84 period with the last two years, we find that there have been more trade law cases filed against us in the past two years; more of them have been aimed at Canadian products. The industries affected have become more important for Canada; and the results have been more negative for us. On the legislative front, there has been an increase in the number of bills introduced in Congress targeted specifically on Canadian exports, where previously we were being "sideswiped" by general legislation aimed at other targets. And we are now facing, in the omnibus trade bill, the grand-daddy of them all.

So protectionism is not going to disappear soon. Nor is it going to spare Canadians.

I am convinced that the best, and possibly the only, real bulwark against further restrictions against our exports to the United States is an institutional one. It is only within the structure of a binding overall agreement that we can share in defining the new "rules of the game" and ensure that we have fairness and objectivity in making the decisions that are so vital to our national livelihood and well-being.

We need to make the U.S. respect for laws and courts work for us. We need to persuade the Americans that it is in our common interest to establish a new legal framework that will submit our trading relationship to a system of binding rules and dispute-settlement procedures.

In short, we need to create a system of extra-national trade laws to prevent the politics of protectionism in either country from undoing the integrated market already forged by geography and by economics. We need the legal framework of a bilateral trade agreement to make trade less political and more predictable.

If we can take some of the politics out of trade, we will have both better trade and better politics. We need this on our side of the border, and the Americans need it, too.

This leads me to a final myth, the eclipse myth. It is the flip side of the trade myth. This misconception holds that the United States is in secular decline, that U.S. military power is inherently unusable, that the age of the overwhelming American economic is passing, that the United States is a falling star.

Once again, the facts do not support the perception. Possibly, eventually, demographic trends and arms control agreements will combine to replicate the classical military balances of power of the past. Possibly the world will even be a safer place if that were ever ever to happen.

But it will not happen any time soon. Meanwhile, the United States will continue to control vast numbers of nuclear weapons. And the United States will continue deploy over two million of the best armed, trained and motivated conventional forces, perhaps, ever and no country will surpass the U.S. in military strength. That strength will remain the central factor in international order.

It is true that economic power is now more dispersed, that the star of the Pacific is rising and the United States is not the dominant economic power that it was in the fifties and sixties. It is probably also true that the U.S.A. will never again regain that same degree of ascendancy. But that period was an aberration, produced by World War II. We should take care, therefore, not to let assessments of the U.S.A.'s relative economic importance obscure our appreciation of its truly vast absolute economic importance.

In contemplating American economic difficulties, we should bear in mind, that the U.S. economy has performed very strongly in recent years compared to all other industrial economies. In terms of domestic demand, United States' growth has been much stronger—forty-three percent stronger—over the past four years than that of West Germany or Japan. In terms of job creation, the U.S. economy has outperformed by the far the European and Japanese economies combined.

We should also bear in mind that manufacturing productivity has been rising at the rate of 3.6 percent per year since 1981. That is twice the growth rate of the seventies, and a full percentage point higher than the post-war average.

The relative abundance of food and energy resources in the U.S., the size, the diversity, the mobility, the dynamism of the population, the resilient enterprise ethic, the commitment to the freedom and human rights entrenched in the Constitution and the American way of life, will more or less guarantee that the United States economy remains gigantic far into the future. Competition notwithstanding, the U.S. is poised to enter the next century at the forefront or at the sharp edge of technology, particularly biotechnology and artificial intelligence.

The U.S. will remain, as one wag put it, the only full-service superpower for a long, long time to come.

Some falling star!

I end where I began.

I have no recipes to prescribe to address some of the features of our national psyche. But it is evident to me that if we are to a constructive, fruitful relationship with the United States, we should come to grips with our myths. We cannot allow ourselves to be imprisoned by them.

Perhaps we need to create a new mythology, and I believe that Canadians are in the process of doing just that. We are forging a new view, a new vision of ourselves. One that reflects the great progress we have made and are making as a nation. One that embraces the challenges of living peacefully and effectively with the most powerful nation on earth. One that keeps faith with the vision of what we can be.

The appreciation of the meeting was expressed by Peter Hermant, a Past President of The Empire Club of Canada.

THE SIXTH ANNUAL SPRING BALL

April 10, 1987 The Four Seasons Hotel, Yorkville

Under the distinguished patronage of The Right Honourable Roland Michener, P.C., C.C., C.M.M., C.D., Q.C., Honorary Chairman of The Empire Club of Canada.

Programme

Welcome

Nona Macdonald
President, The Empire Club of Canada

Grace

Harry T. Seymour
Immediate Past President,
The Empire Club of Canada

Toast

The Empire Club of Canada
The Empire Club Foundation
Sydney Hermant, B.A., LL.D.

Dinner

Loyal Toast

MGen. Bruce J. Legge, C.M.M., K.St.J., E.D., C.D., Q.C.

Dancing

Frank Bogart and his Orchestra

Appreciation

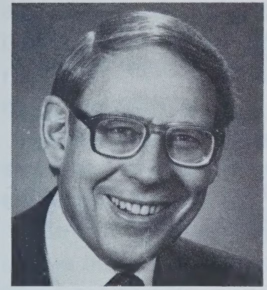
Crush Canada Inc.
Mövenpick Restaurants of Switzerland
New Zealand Lamb Company Limited
Price Waterhouse
Toronto Dominion Bank
Vinos de España—commercial Office of Spain

Spring Ball Committee

This year, 215 people attended the Ball, which was ably co-chaired by Wendy Cecil-Cockwell and Lindsay Shaddy, Directors of The Club with Nona Macdonald, president. The proceeds exceeded $11,000. It is fitting at this time to recognise the members of The Committee for their valued contribution to the success of The Ball, the major fundraiser of the year.

Diana Chant
Paul Clark
Clarence Crummey
Cecelia Davies
Douglas Derry
Blake Goldring
Ronald Goodall
Peter Hermant
Charles Hoffman
Montague Larkin
Dennis Madden
Robert McGavin
Jean-Pierre Scheidegger
Margaret Scrivener
Harry Seymour
Robert Watt

Proceeds to The Empire Club Foundation



April 16, 1987

C.H. Hantho

Chairman and Chief Executive Officer, Canadian Industries Limited, and Chairman, Canadian Chemical Producers' Association

"PERCEPTION VS. REALITY: THE CHEMICAL INDUSTRY CHALLENGE"

Chairman: **Nona Macdonald**
President

Introduction:

Those of you who remember the movie *The Graduate* may recall the sage advice given to the youthful Dustin Hoffman by an avuncular neighbour. "Plastics," said the advisor tersely to a bewildered Hoffman, "get into plastics, son."

Obviously, Dustin Hoffman has done very well staying in show business, but our guest speaker today started his successful career by "getting into plastics." In 1953, after graduation from the University of Alberta with a degree in chemical engineering, he joined Canadian Industries Limited, Plastics Division, and by 1968 was named General Manager of Plastics and in 1976 was seconded to Imperial Chemical Industries in England, serving as Deputy Chairman of I.C.I. Petrochemicals. On his return to Canada in 1978, he climbed the corporate ladder to become C-I-L's President and Chief Operating Officer in 1981, then Chairman in 1984.

C-I-L is the chemical giant of Canada comprised of four major groups: agriculture; forest products and polymers; mining and construction; and specialty chemicals and services. Last year, it did 1.3 billion dollars worth of business. Chuck Hantho oversees it all.

Others share the benefit of Mr. Hantho's management acumen. He is a Director of Algoma Steel Corporation, on I.C.I.'s North American Advisory

Board, Chairman of the Canadian Chemical Producers' Association and Vice-Chairman of the Canadian Manufacturers Association. He is the National Director of the Arthritis Society and a Director of Wellesley Hospital in Toronto.

Born in Lethbridge of Norwegian descent, he and his wife Phyllis have three sons and a daughter and reside in Toronto. The family enjoys golf, skiing and scuba diving. But his speech today will address a serious and topical subject: "Perception vs. Reality: The Chemical Industry Challenge."

Ladies and gentlemen: Charles Hantho, Chairman and CEO of C-I-L.

C.H. Hantho:

It is an honour for me to address such a prestigious audience. It is also quite a challenge.

You see, I represent an industry that is perceived to be bad news by many Canadians. People are both mystified and worried about the products we make. I will deal with those perceptions.

We are also an industry that is the source of many innovations and discoveries that have greatly improved life for everyone. I want to tell you a bit about that as well.

As you will discover, we do care deeply about our products and their impact on human life and the environment. We care and worry far more than we are often given credit for.

Our failure—and it is a failure—is in not sharing our accomplishments and concerns with the public so that Canadians can better understand the benefits and inherent risks of chemicals.

Let me begin by outlining the magnitude of the Canadian chemical industry.

Our association consists of seventy-three companies. Together, we produce ninety percent of the chemicals manufactured in Canada. We are ten billion dollar business. And we directly employ twenty-five thousand people in one hundred and ten communities from coast to coast.

By anyone's measure, we are a large industry.

Unfortunately, we make products that scare many people. When chemicals are referred to by the media or advocacy groups, the word "chemical" is almost always preceded by an adjective—such as "dangerous" chemicals or "toxic" chemicals or "carcinogenic" chemicals—out of all proportion to the real risk. However, the alarmist perception persists—and we must deal with it.

To make matters worse, we are associated with misfortunes that are rallying cries of alarm—Love Canal, the Mississauga evacuation and Bhopal.

The truth of these events cannot be denied either. Believe me, we are more concerned about the risk of their recurrence than anyone else. And we have taken decisive, preventive action.

Ideally, we should live in a world of zero risk. But that is not possible. Ideally, we might even wish to live in a world without chemicals. That is not a viable option, either.

What we do live in is a world where we strive to manage risk to maximise benefits.

In fact, we strive to manage risk and maximise benefits in so much of what we do. In driving a car, or flying on an airplane. In playing many body-contact sports, or constructing large buildings.

These, and many other life experiences, involve potentially grave risk. Consciously or unconsciously, we make choices about the risks compared with the benefits.

In some cases, our risk management is voluntary. If you believe the risk of a plane crash is great, you don't fly. In many cases, our risk management is involuntary. We place our trust in someone else—the mechanic who fixed your car, for instance.

Managing risk to maximise benefits is integral to chemical production. For us, and for the public, the negative aspects of chemicals are an ever-present concern, because chemicals are everywhere.

Natural or manufactured, chemicals are truly the essence of life.

Let me illustrate what I mean. The clothes you wear are made from chemicals.

Frankly, there is no way we could clothe the world without chemicals.

If we relied on cotton, we would have to set aside forty million acres of land.

If we relied on wool, the sheep would need one billion acres for grazing. That alone is equal to all the farmland in the United States, and larger than all of Europe.

Even then, we would need chemicals to grow sufficient grass and to protect the animals from disease.

Chemicals are everywhere. The salt, the sugar, the coffee and tea consumed during this luncheon. Without chemicals, much of our food would rot before it reached the kitchen table.

In fact, without chemicals, we could not feed the world's population. Starvation and malnutrition would be far worse than it already is in many Third World countries.

We do not have the means to produce sufficient natural fertilizers, such as fish meal or animal waste, to replace the manufactured fertilisers and pesticides that are essential to adequate food production.

If, for example, we replaced synthetic rubber with natural rubber, we would require arable land that could otherwise feed three million people.

Take a look around your homes and offices. Paints and drapes, carpets and finishes, appliances and telephones. All have components made from chemicals—including your VCR and your kids' high-powered stereo systems.

Chemicals are everywhere. Your new car contains more than three hundred pounds of plastics—all made from petrochemicals. So are the tires.

We wear chemicals on our faces as cosmetics and aftershave lotions.

We consume chemicals in the form of pharmaceuticals that save lives and prevent disease.

Yes, chemicals are everywhere. And they are used everywhere—in making steel or pulp and paper, in machinery and medicine.

Chemicals are essential to our standard of living as well as to the quality of life.

So why are we so frightened?

The answer can be found in one word: dosage.

As Paraclesus observed nearly five hundred years ago:

"All substances are poisons. There is none that is not a poison. The right dose differentiates a poison and a remedy."

All chemicals, natural or manufactured, are dangerous if you ingest large enough doses. Even water.

A few chemicals are very dangerous.

The most dangerous chemical of all is botulism toxin, produced by a microbe. A pinhead amount of this naturally occurring chemical would kill a thousand people. Many other natural chemicals are also killers.

When you come right down to it, life itself is a chemical experiment. We simply cannot live without chemical substances, and the ones we have created help to sustain and advance life.

Our primary goal, therefore, is to minimise harmful concentrations of chemicals. If we attain that goal, we control and minimise the risk to our lives and the ecosystem.

Chemical compounds found naturally in the environment have emerged through a long and complex evolutionary process spanning millions of years.

Manufactured chemicals, by contrast, are relatively new. Most chemicals we take for granted today appeared in the past few decades. They have greatly enhanced our ability to feed, shelter and clothe the human race, as well as improve our health and life expectancy.

However, in the early development of many products, we lacked the foresight and the knowledge to pinpoint their exact long-term risks.

For example, chlorine is used to disinfect water. Since its creation at the beginning of this century, it has saved millions of lives and virtually eliminated waterborne diseases, such as typhoid.

Unfortunately, it was later discovered that chlorine reacts with trace amounts of organic substances to produce chloroform that has caused cancer in animals. Chlorine can also react with other chemicals to produce highly toxic mutagens.

Fortunately, water engineers have discovered that even these trace amounts can be removed by an activated charcoal filter. We have learned and have found solutions to manage risk to achieve the benefits for society.

In other cases, man-made chemicals are perceived as a dire risk out of all proportion to their benefits. DDT is an example. To quote Dr. Howard Rapson, Professor of Chemical Engineering at the University of Toronto:

"Malaria, for thousands of years the number one killer of human beings, was finally brought under control after World War II by DDT. So was typhus, a disease communicated by body lice, that previously killed more soldiers than died in battle. But today, instead of hearing about the millions of human lives that have been saved by DDT over the past forty years, we are told about the damage it does to our natural environment, which is comparatively minor."

Recently, the American toxicologist Dr. Alice Ottoboni examined this issue from another revealing perspective. She points out that the banning of DDT prompted increased use of organophosphate insecticides. This increase was accompanied by a large increase in poisoning of farm workers, some so severe as to be lethal.

Dr. Ottoboni has concluded from her studies that the efforts to protect wildlife have increased the risk of producing acute health problems among farm workers in the agricultural industry.

To understand the impact of chemicals on our bodies and on the environment, we need to measure them in the most minute quantities. Until the last decade or so, we lacked the technology to measure substances in less than parts per thousand or parts per million.

Today, however, we can measure substances in parts per billion or even quadrillion.

How small is small?

You may recall that last year there were reports of tests conducted on water from the St. Clair River that indicated dioxins had been found at the level of twenty-seven parts per quadrillion. The implication was that this was a new development. If it was, it could create cause for concern.

The reality was that this was the result of a first-time ability to detect parts per quadrillion. What we don't know is whether this substance had existed in those quantities all along. Dioxins are generated by the combustion of wood, whether ignited by man or from forest fires. It occurs naturally.

Dioxins could have been present at the previous undetectable levels for hundreds of years.

But just what does a part per billion or trillion or quadrillion really mean?

Let's examine for a moment a part per trillion. Professor Rapson translated a part per trillion as one second in three hundred and twenty centuries. Or a pinch of salt in ten thousand tons of potato chips. Or one drop of vermouth in two hundred and fifty thousand barrels of gin. In size, it is one flea among three hundred and sixty thousand elephants. In money, it is one cent in ten billion dollars.

The point in all of this is that we now have the technology to measure chemicals in such tiny amounts that we sometimes scare ourselves. We are finding trace amounts of chemicals in water and tissue that we didn't even know existed before. In some cases, this has given rise to absurd concerns and is pushing us towards establishing safety levels that even nature has trouble complying with.

However, this technological competence *is* important. It has taught us that some past practices are not as safe as they could be. And so we have changed. As we learn more about the risks associated with chemical concentrations, we will adjust again and again.

And we will continue our quest for intrinsically safer chemicals.

Contrary to the belief of some environmental evangelists, we *do* care deeply about the impact of our products on the ecology of life. We desperately want our chemicals to enhance the health and safety of life. We desperately want to avoid any negative effect on the quality of the environment.

And we know that, if we do not accomplish this, we leave ourselves open to extraordinary intervention by policymakers and regulators.

That, in itself, is not the major concern. Our real worry is that intervention will be based on misinformation, on careless speculations and hypotheses, or as a result of exaggerated hysteria.

As you see, we have a problem.

And we have a solution.

In the old days, we did what many industries did. We emphasised the economic benefits of our activities. The capital investments. The jobs. The value-added benefits rippling positively and pervasively through the economy. The balance-of-trade equation. The importance of chemicals to our affluent way of life.

We also worked hard at minimising chemical risks. But we didn't talk much about that in public, because we thought that people would not understand or wouldn't be interested.

Well, the economic arguments are still true. But they miss the point of public perception and political anxiety.

In the spring of 1986, we commissioned a major public opinion study of the Canadian chemical industry. That study told us everything *we* feared to know about the psychological terrorism of chemicals in the public's mind.

That study also gave us a good understanding of the dynamics, the specifics, and the intensity behind genuine public alarm.

The most damning finding was that Canadians believe we know precisely the risks associated with our products—and we deliberately withhold that information from them.

Not surprisingly, Canadians feel helpless in the face of this involuntary risk. They resent with a passion the assumption that we are making risk decisions for them. They want to make their own decisions based on their perception of the risks involved. And they believe we deliberately avoid open and honest dialogue with the public, the news media and government.

Perhaps many of you share these perceptions as well.

In fact, Canadians think the risks associated with chemicals are higher than those of any other industry except nuclear energy.

They *do* give us credit for our important contribution to the economy, but they are not prepared to compromise the environment for jobs.

So, we *do* have a problem. And we have a socially responsible solution.

Through the Canadian Chemical Producers' Association, our industry has set in motion a series of strategies and programmes to establish an understanding and trust with the public about what we are doing to minimise risk.

We are committed to demonstrating our social responsibility. In 1983, we made a giant step forward in that direction by putting in writing what we call a Statement of Guiding Principles on the Responsible Care of Chemicals.

This statement sets out principles of behaviour for the complete life cycle of chemicals.

It gives compelling literacy to our objective of making sure the public is adequately protected. It accepts the need for legislation and regulation. It articulates our commitment to voluntary actions.

In doing this, our Statement of Guiding Principles on the Responsible Care of Chemicals is much more than a piece of paper. A chemical manufacturer must formally sign and file a copy of the statement with our Association before that company is accepted as a member.

We are the only chemical association in the world to demand such an oath of responsibility from our members.

And let me assure you this is not a publicity stunt. In signing the statement, our member companies have pledged themselves to action programmes, not just words.

Our industry philosophy is captured in the phrase "Responsible care: a total commitment." And that is exactly what it is—a total commitment.

We know that the entire industry will be judged by the performance of the least-careful company or plant, not by the responsible behaviour of the overwhelming majority. That is why we are invoking a total commitment in every company and in every plant and among all employees.

This statement of Responsible Care is given birth to a series of Codes of Practice. These Codes deal with identifiable stages in the management of chemicals—from the laboratory to final disposal, and everything in between. They put substance into the guiding principles.

Our objective is to intensify the identification of risks and to put in place practices that eliminate or minimise adverse effects on human health and the environment.

From each Code will flow a programme of action for implementation by individual companies.

Furthermore, our Association will follow up and review the activities of our member companies to ensure that they do what they have promised to do.

The first of our codes deals with Community Awareness and Emergency Response—the industry's CAER programme.

We want the public to be better informed about chemicals. We also want to ensure that a current and comprehensive emergency response plan exists for every chemical plant and every community. As the industry has two hundred plants in one hundred and ten communities across Canada, that means the development of one hundred and ten emergency response plans and two hundred community outreach programmes.

Slightly less than two thirds of the municipalities in this country have emergency plans in some form or another. We want to make sure they are as effective and current as possible, and to ensure that all the other communities also develop plans. We want civic leaders to support our efforts, and our neighbours to understand and participate in these emergency response plans.

In all of this, our objective is to take the fear out of chemical manufacturing by bringing the community into the plant. To meet our people. To explain what they do.

Under this programme, the chemical plant managers and all of our employees will be the public ambassadors for their companies and the industry.

I mentioned earlier that the public sees us as being secretive about our products. Our community awareness programme, and public disclosure of our emergency response plans, will help to correct this perception.

As another initiative, we will open a chemical referral centre this summer.

By using an 800 telephone number, Canadians will be able to access the referral centre on questions concerning chemicals and be directed to the best-qualified information source.

These initiatives—the Codes of Practice, community awareness, updated emergency response plans, and the referral centre—underscore our determination to be an open and caring industry.

We have heard the public's fears. We are taking them seriously because we have nothing to hide and everything to lose.

We are also seeking to improve our relations with the news media, and their ability to understand the complexities of the chemical process.

Last year, we held a press conference to disclose the findings of our public opinion survey. We then conducted interviews across the country with environmental reporters. The process was most invigorating. The media treated us fairly because we answered their questions openly and honestly.

We realise, of course, that it will take a long time for us to win credible understanding among the majority of Canadians. But we have made a start. And we will do much more.

We also know that we will be judged by our deeds, and not by our words.

The fact remains, however, that we will be judged by the next accident that happens. And make no mistake about—accidents *will* happen. So we must all be realistic with our expectations. Despite our best efforts, trains *do* derail, trucks *are* involved in accidents, dykes *do* sometimes spring leaks.

We can never promise zero risk. What we can promise is that we will minimise risk, and, if there is an accident, we will move quickly and effectively to contain it.

Canada's chemical industry has one of the best safety records of any industrial sector in this country. We take safety very seriously—ours and yours.

We also expect the public, as consumers or as business operations, to understand and accept their responsibilities in the safe handling and disposal of chemical products they use. And we will be reaching out to assist in this education process.

None of this will be easy. Canadians have told us quite bluntly that they think government should be a lot tougher on legislation towards the chemical industry.

Our mission now is to prove to Canadians that chemicals are essentially quite safe if they are handled and used properly. If we accomplish that, we will close the gap between perception and reality and demonstrate that we have listened and responded.

Of course, one of our problems is that many chemicals are shrouded in mystery and complexity. Even in the language we use to identify and describe them.

I could, for example, shock you by asking that you join me in drinking some essential oils: methanol, acetaldehyde, methyl formate, ethanol, caffeine dimethyl sulfide, propionaldehyde, acetone, methyl acetate, furan, diacetyl butanol, methylfuran, isoprene and methylbutanol.

But you will be relieved to know that I've just asked you to join me in a cup of coffee.

Consequently, plain talk rather than technical jargon will be our guiding communications tool in bridging the gap between perception and reality.

That is our challenge: closing the gap.

What is at stake is not really the inherent or imagined risks of chemicals. Rather, it is the danger that the ability of chemicals to protect and enhance the wellbeing of Canadians will be unnecessarily constrained by legislation and regulations based on unfounded fear and inaccurate information.

Where legislation and regulation are required to insure protection of the public interest, we are anxious to work co-operatively with all the stakeholders—government, special-interest groups, organised labour as well as industry—all have legitimate views.

These views need to be focussed into commonly agreed-upon objectives and solutions.

In addition, we have to do a better job of communicating with the public, with word and deed, on how we manage risk to maximise benefits.

I hope this address has contributed to that challenge.

The appreciation of the meeting was expressed by BGen. S.F.Andrunyk, O.M.M., C.D., a Past President of The Empire Club of Canada.

April 23, 1987
A joint meeting with The Canadian Club of Toronto

The Honourable David Peterson

Premier of Ontario

"MEETING THE CHALLENGES OF TOMORROW"

Chairmen: **Nona Macdonald, President, The Empire Club of Canada, and James K. Warrilow, President, The Canadian Club of Toronto**

Introduction by Nona Macdonald:

Media watchers and Donna Scott, publisher of Canada's fashion magazine *Flare*, know well that this is the week of Toronto's fashion festival. Mr. Premier, you have already noticed my Liberal colour sense today. To our radio listeners, I'm wearing red in honour of our Liberal Premier, and, of course, to co-ordinate with his tie.

After 42 years of Progressive Conservative government in Ontario, David Robert Peterson, at the age of forty-one, became the twentieth Premier, having led the Liberals to the greatest number of popular votes on May 2, 1985. Liberals now hold fifty-one seats in the Ontario Legislature.

Mr. Peterson was first elected as Member for London Centre in 1975 and won the Liberal leadership in 1982. Politics are part of the Peterson tradition. His father Clarence signed the Regina Manifesto in 1933 and served as a City of London alderman as well as Liberal candidate both provincially and federally. His brother Jim was elected to the House of Commons in 1980 as M.P. for Willowdale. His sister-in-law, Heather, works in the Ontario Government and his actress wife, Shelley, is the daughter of Don Matthews, former president of the Progressive Conservative Party, incidentally, Shelley has just signed with CBC television for a major new series about politics and politicians, but the Premier noted, "At least the three young children are normal—so far!"

Public service is also a part of the Peterson tradition. While an undergraduate at the University of Western Ontario, David Peterson worked with Frontier College and later, while studying law at the University of Toronto was director of a volunteer legal aid service for students. After being called to the bar in 1969, he took on the presidency of his family's electronics business, and, thereafter, other leadership roles, including that of the youngest president ever of London's Canadian Club. But that is in the past and today we are here to learn about our future.

Ladies and gentlemen, the Honourable David Peterson, Premier of Ontario.

Premier Peterson:

I'm delighted to have this opportunity to address The Empire Club and The Canadian Club. Both of your organisations provide Canadians with the opportunity to share our perspectives on the most vital issues of the day, and express our views about how we can best meet the challenges of tomorrow.

One of our most important challenges is how we will preserve and build upon Canada's unique set of values.

We have adopted as a country social reforms that rank among the most comprehensive in the world, through such programmes as Medicare and Unemployment Insurance, student assistance and the Canada Pension Plan.

That same spirit of fairness must be summoned to meet new needs, such as specialised health care for an aging population, child-care services for single mothers and working parents, and the housing requirements of the Baby-Boom generation.

Our nation has made a rare constitutional commitment to reducing economic disparities among regions. We must live up to our commitment, and spread prosperity from the Atlantic to the Pacific, and to the Far North.

Ontario's ability to share wealth depends upon our ability to create it.

Our province has been enjoying a period of relative economic buoyancy.

Over the past two years, more than three hundred thousand jobs have been created in Ontario—unprecedented growth for any two-year period in our history. Ontario's unemployment rate has fallen to 6.9 percent.

But the benefits of our comparative economic boom are uneven. Northern Ontario in particular faces a need to diversify and revitalise its economy. The resource industries on which its livelihood is based are in serious difficulty in terms of international competition.

Like their counterparts across Canada, Ontario farmers have yet to fully recover from the 1982 recession.

The provincial unemployment rate for young people has improved over the past couple of years, but it is still unacceptably high at 12.7 percent.

For many, the recovery isn't complete. For some, it never happened.

Our standard of living and our social safety net must not be taken for granted. They are the products of good times. We must develop ways to improve them at all times.

We have two choices: either we can rest on our laurels and hope for the best, banking on our natural strengths to carry us forever. Or, we can meet our challenges—the need to ensure that our resource, manufacturing, and service sectors develop the knowledge base and research and development capacity to guarantee our place in the global economy.

If you want to consider the rate of resource-rich countries that fail to pursue advances in technology, just cast a glance at Argentina. In the 1920s, Argentinians enjoyed the fourth-highest standard of living in the world. Now they are number thirty.

Canadians now enjoy the fourth-highest standard of living among leading industrialised nations. To maintain and improve our position, we must build on our strengths in natural resources by developing our strength in human resources—the knowledge, skills, and ingenuity of our people.

Canadians must improve our ability to compete, to produce goods and services, and sell them to the world.

Suddenly, new markets are opening up, just as developing nations are acquiring the manufacturing capacity to meet their needs.

Suddenly, our customers have become our competitors. Suddenly, we have to develop more advanced products and services, and encourage our existing businesses to invest, expand, and modernise.

The relative economic strength of nations has always been determined by their ability to develop and adapt new technolgies. That capability in turn depends on the existence of a highly skilled workforce equipped with the most up-to-date knowledge and expertise.

This is truer today than it has ever been in the past.

But Canada has made less of a shift to knowledge-intensive industries than any other industrialised economy. In terms of the percentage of our population engaged in research and development, Canada stands between Iceland and Ireland. Some say somewhere in the North Atlantic.

To the extent that we are competing in knowledge-intensive fields, we are not doing it as well as we should. In 1985, Canada suffered a trade deficit in high-tech goods of between six billion dollars and twelve billion dollars, depending on the definitions one uses. In any event, the deficit is substantial, and it's about twice as large as it was in 1978.

Canada is the only industrialised economy with a significant advanced technology deficit.

You can't guarantee a large crop from just a few seeds. Canada devotes 1.3 percent of its Gross Domestic Product to research and development. Our major industrialised competitors spend about twice that much.

Not only are we spending less on R&D than other countries, we are also spending a smaller proportion through the private sector—which can bring new products to the market faster.

Canada is almost the only industrialised country to conduct less than half of its R&D directly through industry.

Canadian firms receive little encouragement in this area. Among other developed nations, government support accounts for about thirty-three percent of the R&D undertaken by industry. In Canada, it's about thirteen percent.

Canadians take enormous pride in Nobel prizewinner Dr. John Polanyi and his groundbreaking work. In addition to his world-renowned scientific achievements, he has helped us to focus on the importance of science and technology, and Canada's strengths and weaknesses.

But we must remember that his achievements were possible because, years ago, the University of Toronto and the federal Government recognised his project's potential, and gave it support.

Even while we take pride in the tremendous accomplishments of Dr. Polanyi and the four other Nobel prizewinners in our history, let us not forget that in the United States, several universities on their own have produced more Nobel prizewinners than Canada as a whole.

We can be proud of Canadian success in a few technological specialties—such as telecommunications, remote sensing, and computer software.

But we have ground to make up. We can gain that ground only if we bring together the institutions that can train the talented people we need, and the companies that can give them the opportunity to apply new technolgies, and create new products.

That requires forging links between universities and business, so they can reinforce each other.

Co-ordinating and targetting our efforts will strengthen our ability to compete. It will accelerate growth, and create jobs and opportunities in Canada.

It is for these reasons that a year ago yesterday, in the Speech from the Throne, we established a Premier's Council to guide Ontario into the forefront of economic leadership and technological innovation.

Shortly after, Prime Minister Brian Mulroney set up the National Advisory Board on Science and Technology. I congratulate him on the effort. I believe we can work together, and I have already expressed desire to share what we are learning.

Co-operation in all respects should be our national goal.

The Premier's Council includes men and women from unions, large corporations, small business, universities and colleges, and the Provincial Cabinet.

The Council's principal task is to plan for the long term—not next month or next year, but the next decade and beyond.

The emphasis is on science and technology, but the whole realm of Government industrial policy is open to review and amendment.

There is a mandate for analysis and study—but also for immediate action where needs are already well-defined.

Moreover, the Council members are committed to representing the interests of the entire province—not just their own sector or region. Special interests are left at the door.

The task is to make a bigger economic pie, not carve it up into smaller pieces.

The effort is showing results.

The University Research Incentive Fund has been restructured to attract more industry involvement through improved financial support.

The council directs a billion-dollar technology fund that will stimulate joint ventures in areas of strategic importance. Many concrete proposals have come forward from the private sector.

In about two months, the Council will provide Cabinet with its recommendations as to where to establish Centres of Excellence. These centres will stimulate the production of advanced research, train and develop world-class researchers, and encourage the transfer and diffusion of technology.

A panel of experts of international standing is currently reviewing the 28 applications we've received—each of which pools the resources and expertise of Ontario Corporations and post-secondary institutions. The process has drawn the participation of universities, community colleges, independent research institutes, hospitals, and more than one hundred and eighty corporations.

In and of itself, the Centres of Excellence Programme will increase research funding in Ontario universities by ten percent.

Before the end of this year, the Council will release the results of a thorough and wide-ranging research study focussed on the international competitive position of fifteen key Ontario industry sectors, the capabilities of our educational, science and technology infrastructure, and a sweeping review of Government policy here and abroad.

The work of the Council has already established strong new links between post-secondary institutions and industry.

Private-sector research groups that formerly weren't even aware of each other's existence are now talking and exchanging information.

The Council's extensive research effort has broadened Government's perspective, and stimulated a new look at priorities.

We're learning how we can build on our strength—how we can improve technology diffusion, bring products to the market much more rapidly, *and* encourage entrepreneurship.

Technology is vital—but, to take advantage of it, we must have the skilled, entrepreneurial people to use it, transfer it, and ensure that it benefits all Canadians.

We're learning just how important it is to educate and train a creative, knowledgeable, and enterprising generation of Canadians. That is our greatest strength, and the most important one to build on.

Education has been our most valuable tool in crafting a society as humane and civilised as any the world has known.

In Ontario, education has provided a ladder to new heights of economic opportunity and cultural fulfillment.

Our education and training systems must continue to serve these purposes, and meet the highest possible standards of accessibility.

But our schools are not just instruments of social policy—they are also instruments of economic growth.

Because without a literate, skilled, adaptable, and motivated workforce, capital and technology cannot be productive.

Technological strength results from a chain of efforts.

The chain begins with elementary and secondary education, runs through the universities, which combine education and research, and then through industries that employ trained people and develop new products.

These institutions are interdependent: none can do its job well unless the others function effectively.

We need to strengthen the entire chain. And we need to start at the primary schools. Excellence begins early.

That is why we must be concerned about recent studies that call into question the effectiveness of our educational system in preparing young people, particularly in the key subjects of science and math.

The recently released Second International Mathematics Study, one of the few authoritative worldwide comparisons of student achievement, found that Ontario students placed no better than average in six vital areas of mathematics skill—statistics, analysis, calculus, trigonometry, geometry, and algebra.

If they aspire to world-class status, average is just not good enough. Hong Kong and Japan know that—and they consistently placed first and second respectively.

The study showed that our best students can master the vital subject areas as well as anyone. But the large group in the middle is falling behind, and others are falling out of the race altogether.

A rough measure of functional literacy is completion of Grade nine. By that standard, more than twenty-two percent of Canadians, and twenty percent of Ontarians, are illiterate. Those rates are higher than those of most industrialised nations.

The most up-to-date data show that about one third of Ontario students drop out of high school without earning a Grade 12 diploma. That rate is about four times larger than Japan's.

Dealing with these problems must be one of the major thrusts of Government policy over the next few years. The Speech from the Throne next week will indicate how we intend to begin that task.

Our goal is to ensure that Ontario's young people master the traditional literacy *and* the new literacy—computer skills, advanced mathematics, and science. We must teach not only the Three R's but also the Three I's—innovation, initiative, and ingenuity.

Canada spends a larger percentage of its Gross National Product on education than most industrialised countries. But it is not purely a question of money. We need to target the funds we invest to obtain the results we need.

Obviously, schools must have sufficient resources to do their jobs. Our province's commitment to education and training is reflected in massive funding increases we have provided to begin to make up for years of chronic underfunding.

These increases far surpass inflation and translate into real improvements.

But this new commitment to education cannot come without strings.

If we are to continue to provide the large proportion of taxpayers' dollars that the education system requires, we must ensure that it meets the real long-term needs of the taxpayers and their children.

If we are to treat education as a vital investment, we must be able to look at our returns.

This is particularly true of the post-secondary system, where we must place priority on the areas of specialty that will help young people insure their place in a highly competitive world environment.

Japanese economic strength can no doubt be partly explained by the fact that, relative to population, they have four times as many engineers as Ontario, while we have forty times as many lawyers as Japan.

We have to set priorities that will direct our post-secondary funding to where it will do the most good for the young people who invest their time, and for the taxpayers who invest their money.

The Post-Secondary Excellence Fund, introduced last year, targetted operating support for universities and colleges to priority areas.

The approach of tying post-secondary support to specific goals will be a permanent feature of our system for funding universities. Funds that were formerly provided without any definition of performance expectations will be targetted.

We will provide post-secondary institutions with more money than they have ever received before, but we will do it in a way that ties funding to results for the people of Ontario.

We appreciate the importance of autonomy. But we also recognise the need for accountability. The two principles can live side by side.

The relationship between Government and post-secondary institutions must help us to meet the demands imposed by changing economic and social conditions.

First, Government and the post-secondary institutions have a new responsibility to work together. A great deal of public wellbeing is at stake; a great deal of public money is invested.

The people of Ontario have an active interest in ensuring that their investment helps the higher educational system become in increasingly effective tool of social and economic betterment. Society cannot restrict its role to only that of a banker.

The people of this province, through their Government, are now at the table in planning the development of our higher educational system.

Second, planning entails making choices. No one institution can excel at everything. The people who make decisions in universities and colleges are facing a growing responsibility to choose among competing research and teaching activities, and then to back their choices with resource support.

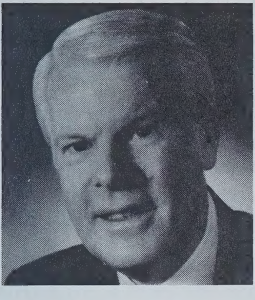
In some cases, that will entail looking beyond the public and academic sectors for new sources of support for priority activities.

With initiatives such as the Centres of Excellence Programme, we are offering strong encouragement for this kind of strategic decision-making.

Third, in post-secondary education we will have to measure our results against the standards of an internationally competitive environment.

But, we in Ontario must determine for ourselves the areas in which we seek to excel.

The appreciation of the meeting was expressed by James K. Warrilow, President of The Canadian Club of Toronto.



April 30, 1987

Thomas L. Wells
Agent General of Ontario, Ontario House, London

"CANADIAN-BRITISH RELATIONS IN 1987"

Chairman: **Nona Macdonald**
President

Introduction:

With a line reminiscent of Gilbert and Sullivan, *The Toronto Star* headlined a story on Tom Wells as "Our very correct new Agent General," and then went on to say that, when Mr. Wells started in politics, he was more firebrand than diplomat.

In fact, he jumped into politics at Malvern Collegiate by participating in a three-day student strike. He later joined the campus Tories at the University of Toronto, where he first met the former Premier of the province, Bill Davis.

Mr. Davis, at our head table today, has requested that Mr. Wells take note of the fact that he is in the Imperial Room, which is the nightclub of the Royal York Hotel, and that Mr. Davis expects Mr. Wells to give a performance as exciting as that of stars Tony Bennett or Lena Horne.

In 1965, after serving for seven years on the Scarborough Board of Education, Mr. Wells was elected to Queen's Park, representing Scarborough North. From 1966 on, he has been an Honourable Minister, starting without a portfolio, moving to Health, then Social and Family Services and in 1972-78 was recognised as a tireless Education Minister with teachers confronting him and clamouring for the right to strike. From that hectic scene, he moved to Intergovernmental Affairs, at the time when Quebec's feisty Parti Quebecois was proposing sovereignty association.

In 1979, he became Government House Leader, and, two years ago, he accepted his latest assignment. Who better to sell Ontario to the British than a former advertising executive turned Ontario politician? Who better to enjoy living in the great metropolis of London? I understand the British way of life suits Mr. Wells and his wife Audrey, to a "T."

He tells me he has always had a soft spot for pomp and circumstance, but most important is the fact that British may mean business for Ontario. We are honoured to welcome you today, sir, a long-time member of our Club, to this final meeting of the season.

Ladies and gentlemen, Thomas L. Wells, Agent General of Ontario in the United Kingdom.

Thomas L. Wells

The next week, many in Toronto will see and hear one of Britain's most enduring and beloved singers, Vera Lynn. She will sing the songs that made her famous and perhaps she will sing again one that brightened and inspired us all during the years of the Second World War, "There'll Always be an England." It had a patriotic ring to it and gave us all a resolve to win that was so much needed in those dark days. It seemed to symbolise the close bonds that existed between our two countries at that time.

Little did I realise then, that, some forty-five years later, I would be living in England and I would be looking to see if those bonds and relationships that tied us so closely together for many years still existed.

Little did I realise then that I would be continuing a long tradition of friendship and partnership between Ontario and the United Kingdom by representing Ontario in a country where so many of our traditions and roots began and where the potential today for business investment and trade links is greater than ever.

This province appointed its first Agent General in the U.K. in 1869 and since then twenty-one people have held this post.

It is a real challenge for me to represent Ontario in the U.K.

We do it as part of a team, or, I should say, two teams.

The first is the group of twenty-eight people who work with me for Ontario at Ontario House in London, which is now located as 21 Knightsbridge near Hyde Park Corner.

The second team is what we call "Team Canada." It's a loose association of people, made up of the High Commissioner and the six provincial Agents General who are located in London.

Let me add that while there is much friendly rivalry amongst us, we do co-operate to the mutual benefit of our country and our provinces.

But this doesn't stop me from boosting and selling Ontario in a very forceful and positive way. My job is made easier because we have a province with a solid industrial infrastructure, a buoyant economy and a government determined to lead the province to new levels of international competitiveness. These all add up to one thing: *opportunity.*

And we are taking advantage of these opportunities.

However, I think there is much more we can do and even greater opportunities open to us. But, to realise these, we must look at the relationship today between Britain and Canada.

"Not that again," I can imagine some of you thinking. "Surely the relations between the two countries are good enough?" Or alternatively, "Well, it is all a great pity but the two countries have drifted so far apart that there is nothing to be done." And there is yet another reaction with which I am becoming familiar in my present post. "Does it matter anyway?"

To my mind it *does* matter. The two countries in many important senses have drifted apart, but I don't believe it is too late to do something about it, although what we do needs to be well judged, economical, effective, and, above all, prompt.

Two years' experience in London, and constant meetings with people all over Britain, have convinced me that assumptions we could take for granted a generation ago no longer hold good. Nor need we be surprised by that. Much of Anglo-Canadian relations in the twenty years after the war was rooted in memories of the shared sacrifice and effort in both wars.

There was no lack of people at the highest levels of British politics, industry and commerce who knew at first hand what Canada had done and been in both wars. There was no shortage of people to remember that Canada fought from September, 1939, while the United States did not enter the war for two and a quarter years after that.

There were plenty of people who knew that Canada had strained herself to the limit and beyond to make a handsome and desperately needed loan of dollars to Britain in 1946. The two countries played leading parts in the creation of NATO. They collaborated intimately in many international affairs. Canada played a leading role in the evolution of the Commonwealth; and, even if that process was often uncomfortable at the time for the British, the importance of Canada's part was not underestimated.

British ministers of that generation made it a point of honour to come to Canada whenever they were in the United States; indeed, two of the most important military conferences of the entire war were held on Canadian soil.

A few weeks ago in London, I was reminded again of how well Sir Winston Churchill and Sir Anthony Eden knew Canada from end to end, and how deeply they both valued Canada's contribution to international life. Neither of them regarded Canada as an extension of America.

When Churchill came here for what he thought would be his last official visit, in 1952, he said:

"Upon the whole surface of the globe there is no more spacious and splendid domain open to the activity and genius of free men, with one hand clasping in enduring friendship the United States and the other spread across the ocean both to Britain and to France. You have a sacred mission to discharge. That you will be worthy of it I do not doubt."

And, then, two and a half years later, while he was still Prime Minister but knowing that he would leave office in a few months, Churchill said to his Canadian audience in a broadcast from the Chateau Laurier that he felt certain that Canada would take her place in the first rank of sovereign communities.

"When all these hopes are fulfilled and all these glories come to you, do not forget the Old Land; do not forget that little island lost amongst the northern mists which played so great a part in your early days and now regards you with so much admiration and pride."

As we listen to utterances of that kind, we are left in no doubt that something of the essence has gone from our relations. What? Partly warmth of heart; in part, intensity of effort. Both sides, it seems to me, have presumed too much on the past; I put it in that style because, although we often have good cause to complain of indifference or neglect in Britain, it is often equally true that the British have cause to complain of the same failings here.

You may say, "Very well. But is all this not an exercise in mere nostalgia?" I am not pretending that we could readily recapture the mood of thirty years ago. But I cannot see that Canada is less in need of every ounce of goodwill and friendly understanding that she can find than she was a generation back. I believe exactly the same to be true of the British. The world is not so littered with powers friendly to either of us that we can afford neglect.

Friendships between countries, by which I mean something far more than the bureaucracies or the politicians of the day, are like friendships in private life; they require exertion, time, thoughtfulness, sacrifice. If those efforts are not made, we must not complain at the inevitable results.

There is no reason whatever why the closest possible relations with the United States should preclude good relations with Britain; any more than there is good reason why Britain's relations with the European Community should preclude very close relations with Commonwealth countries. Indeed, it is more than evident to anybody working in London that the British have not at any stage allowed their new relationship with Europe to cut across their links with the United States.

I will take four areas in which collaboration between Britain and Canada seems to me of the most importance.

First, defence; the significance of NATO to both our countries does not need to be dwelt upon.

Outside our highly visible sharing of allegiance to NATO, however, there are a host of important bilateral arrangements between Canada and the U.K. involving defence forces.

The military exchange programme has a long and successful history. There are almost one hundred Canadian officers serving in all three arms of the British military, and British personnel occupy similar positions with the forces in Canada.

Approximately four hundred Canadian military personnel train in the U.K. annually. And on the other side of the coin, some seven thousand five hundred members of the British Army are able to use training facilities in Alberta and New Brunswick. Likewise, bilateral arrangements enable the RAF to use the jet fighter base at Goose Bay, Labrador.

Second, the Commonwealth connection. The nature of the Commonwealth has changed out of recognition in the last thirty years. It no longer has a political or military cohesion; that does not prevent many of its members from thinking and acting alike in difficult times, as they did during the Falklands crisis.

But the Commonwealth countries constitute almost one third of the total membership of the United Nations; they collaborate in countless worthwhile enterprises, to which next to no publicity is given.

To my mind, this is a great mistake; and perhaps some of you will be as surprised as I was to learn that Britain and Canada between them contribute nearly seventy percent of most of the programmes run by the Commonwealth Secretariat, an organisation established on its present firm footing by that distinguished graduate of the University of Toronto, Arnold Smith, and now headed by Sir Shridath Ramphal who addressed this club in January.

These good works extend into numerous fields: preventive medicine; health education; the training of youth leaders; development projects of every kind; basic education; and a great deal more.

Thirdly, finance, trade and investment. Canadian investment in Britain has grown, and the Canadian presence in the banking and money world of London has never been so substantial. In recent years, British investment in Canada has soared.

Current statistics indicate that the U.K. remains the second-largest foreign investor in Canada, accounting for about a tenth of total foreign investment. Investment Canada figures show British investment in Canada around the five-billion-dollar mark for 1986 alone.

By the beginning of 1986, Canadians had invested around two billion dollars in Britain.

In 1986, we exported nearly one billion dollars worth of goods to Great Britain, an increase of eighteen and a half percent over the previous year.

Let me mention just a couple of success stories.

First of all, how many of you are aware that deHavilland Aircraft of Canada recently sold six Dash 7 aircraft worth more than thirty million pounds Sterling in total for use by various British airlines scheduled to operate from the new London City Stolport when it opens shortly?

Second, an Ottawa company recently signed a multi-million-dollar contract to supply optical passport readers to the Home Office as part of the U.K. government's scheme to automate the issuance of new passports.

Third, Telesat Canada was the consultant to the winning consortium on the U.K. direct-broadcast-by-satellite project.

Fourth, high-resolution TV screens for most betting shops in the U.K. came from Electrohome of Kitchener, Ontario.

There are many other success stories.

Indeed in the high-tech and manufacturing sectors, there are already more than one hundred agreements between Canadian and U.K. firms covering research and development, licensing, marketing and joint projects. British Telecom and Ferranti are only two of the many U.K. firms that have joined forces with Canadian corporations to share technology and expand production through industrial-teaming arrangements.

During 1986, there was a resurgence of interest in light rail transit in the U.K. This is good news and means new opportunities for UTDC, the Ontario-based transit-equipment company.

Following the introduction of the Docklands Light Railway (which is expected to open in July 1987) a number of schemes are in view. These are at various stages of development; from preliminary consideration to enactment of parliamentary legislation. These include facilities for; Birmingham, Bristol, Cardiff, Cleveland (Tees-side), Edinburgh, Greater Manchester and Sheffield.

The scheme for Greater Manchester is the furthest advanced.

Part of the resurgence of interest is possibly explained by the choice of twin-rail tunnels for the Channel Tunnel. The selection of rail over road is a significant boost to the rail industry.

The Channel Tunnel will be one of the largest civil engineering projects in the world. We will be arranging for representatives of Eurotunnel, the Anglo-French Channel tunnel consortium to come to Ontario in the late fall to meet with businessmen and outline the opportunities and potential business that this huge undertaking can provide for Ontario firms.

An interesting and significant aspect of the Channel Tunnel scheme is that it is to be privately financed. Both the French and the British governments have made it clear that they are not willing to provide financial assistance in any way.

Even in Britain these days, any discussion of trade and investment usually gets around to the Canada-U.S. trade negotiations and how a free trade agreement might affect our traditional trading relationships with Western European countries, particularly the United Kingdom.

Our position is that, regardless of the prospects for freer trade between Canada and the United States through the ongoing talks, it should be clear that the ultimate long-term interests of Ontario, and indeed Canada, will be served through the expansion of multilateral trade.

Therefore, we in Ontario are continuing to advocate the liberalisation of world trade. That has been evident in many statements by Premier David Peterson, concerning international trade and, I believe, in the work we are carrying out at Ontario House in developing trade opportunities with the United Kingdom and the rest of Europe.

And finally, the fourth area, and perhaps my choice will surprise you, collaboration between the universities and the learned communities, not least in medicine, engineering and science. Those are expensive disciplines, which even the richest countries are hard put to afford. There are still very close links, of which we should make far more, between the British university community and ours.

Is it possible to do anything about all this? Of course, if we have the will and the skill. We must do far more to bring the young of the two countries into contact with each other.

To take the students first, the fees now charged to them in British universities are very high, and the fees we charge to the British in Ontario universities are not small. All the same, the numbers of Canadian students in Britain have risen in the last year or two, although for many years they have not matched the number of British students in Canada.

I doubt whether the British Government is likely to change its policy regarding fees, something which I happen to regret; but, given enough determination between the universities on both sides, there is no reason whatever why undergraduates from Canada should not spend a year of their course in Britain, and vice versa. It happens that the reverse movement is less easy than the movement out of Canada; but it is perfectly possible to compensate by receiving in Canadian universities British postgraduates, in exchange for the undergraduates we send there.

In case this all sounds rather fanciful, I had better add that such a scheme is actually in operation; but it involves only a trickle, and I should like to see the trickle become at least a stream, if not a flood.

Between our universities, I should like to see far more done by way of short-term visits of distinguished academic staff, especially those who could collaborate in research, or share the use of expensive machinery.

But we must have our eyes upon a wider constituency than that. We should do everything we can to enable the young citizens of Canada and Britain—those at the impressionable ages in their late teens and early twenties—to travel to each other's country, meet the people, and ideally stay in their homes.

We should be taking far more advantage of the ease of communication between all the great cities of Canada and Britain, and the excellent value offered by many of the cheap fares.

In the same vein, is there any reason why more of our towns and cities in Canada should not be twinned, and exchange visits, with the towns and cities of Britain? Why should we not link more of our junior and secondary schools with their counterparts in Britain? Is there not room for our parliamentarians, from the provinces as well as from Ottawa, to know their British counterparts better?

You will see what I am driving at. We must first ask ourselves whether the relationship between the two countries matters. If it does, as I firmly believe, then we must try to make the currents bringing Britain and Canada together run more powerfully.

Perhaps members of this distinguished club, many of whom have a lifetime's experience of Anglo-Canadian collaboration, can make better suggestions than mine. If so, splendid. But at least let me record two firm convictions with you.

So long as we go about it sensibly, the cost of doing something substantial on all the fronts I have mentioned would be trifling in relation to the interests at stake, and there I am not thinking only of those values upon which accountants can place a price; and certainly trifling in relation to the volume of trade and investment between the two countries. It would not be unreasonable to expect some of those who have so large a stake in the ongoing relationship between Britain and Canada to see that some support for purposeful exchanges would be money well invested.

My other, more melancholy, conclusion, is this. Unless we take the subject seriously, we shall find the relationship between Britain and Canada has in most spheres faded away to little more than affability. It is not for me to say whether that would be a loss to the British, although, in the intimacy of this gathering, let me confess that I think it would be; but I am certain that it would be a loss to Canada.

The appreciation of the meeting was expressed by Sydney Hermant, Senior Past President of The Empire Club of Canada.

Annual General Meeting

PRESIDENT'S REPORT

April 30, 1987

The President
Nona Macdonald

Ms. Macdonald

Honoured guests, distinguished Past Presidents, members and friends of The Empire Club of Canada: Notice has been provided that our annual meeting is to be held on this date, and I have asked the Club Secretary, William Whiteacre to act as secretary for the meeting.

In accordance with Article VI, Sub-section 2, of The Empire Club constitution, I am pleased to report on the year's activities and present an interim report on our financial affairs.

The President's report has been printed and copies have been placed on each table for your review. In the interests of time and television, a brief synopsis of this report will be given today.

I am pleased to submit the annual report of the President on the 1986-87 operations of The Empire Club of Canada.

Programme

The 1986-87 programme began with the Dominion of Canada Day birthday celebration, jointly held with the Royal Commonwealth Society. The speaker, Canadian Broadcasting

Corporation's television journalist, Knowlton Nash, also represented his own Corporation's celebration of 50 years of service to Canada. The Empire Club's commitment to public affairs is reflected in its recognition of our great Canadian institutions, and we are planning to celebrate Maclean Hunter's centenary with a special event in 1987-88's programme.

Forty speakers were hosted by the Club this year; of whom seven were women. Bankers, businessmen, public servants, ambassadors, authors, musicians, artists—and perhaps the noblest of all, Professor John Polanyi, the fifth Canadian winner of the Nobel Prize—were on our platform. Last week, 1,000 filled the Canadian Room to hear Premier David Peterson at a joint meeting with the Canadian Club and today we conclude the season with a relevant Empire Club gesture: extending hands across the sea to our Agent General in the United Kingdom, Tom Wells, a longtime member of the Empire Club.

This past year, we joined with fellow Loyal Societies on eleven occasions: seven with the Canadian Club of Toronto; twice with the Royal Commonwealth Society and once each with the Churchill Society and the Kiwanis Club of Toronto.

Other speakers who were invited, but could accept only for next season, are standing in the wings; most notably Clayton Yeutter, U.S. Trade Representative and author Margaret Atwood.

All were successful and enjoyable occasions, capably produced by the respective Committee chairmen.

As a Loyal Society, Empire Club representatives were presented to Her Royal Highness Princess Anne during her summer visit to Toronto. The Club's President, Immediate Past President and Vice President of the Foundation, with their spouses, attended a reception hosted by Ontario's Lieutenant Governor and Honorary Vice President of the Club, the Hon. Lincoln Alexander, P.C., Q.C., K.St.J., B.A., who later in the year was to be a guest of honour at both the Christmas luncheon and the Past Presidents' Dinner.

Membership

Membership has been maintained this year, with an overall total of 2,825 members compared to 2,838 of 1985-86, despite the fact that no "For Members Only" special events were stipulated.

Category of Membership	*1986-87*	*1985-86*
Honorary Life Members	6	7
Life Members	223	215
Spousal	652	570
Regular	1,918	2,003
Student	26	43

Our appreciation to Blake Goldring for chairing the Membership Committee which took the Empire Club message to the York University campus, designed a new application form and drafted new approaches to recruit members. Also, a New Members reception was held in January, and New Members tables identified at luncheons.

At the March Board meeting, it was recommended that the special privilege for members' guests to lunch at the member's rate of $13 be revoked, and that the Club return to the former policy whereby guests are charged $18. The recommendation is based on the fact that new member recruitment had suffered somewhat this past year.

Attendance (see attachment)

A total of 37 speakers' meetings attracted 12,746 attendees (including 400 head table guests) representing a statistical average of 345 per meeting. Actual attendance figures are attached.

Finance

For the last three years, membership fees have remained unchanged, $30 for regular membership, $40 for spousal membership, $15 for student and varying amounts depending on age for life membership. Luncheon prices remained the same as last year, $13 for members and $18 for non-members.

Costs were once again tightly controlled and we expect a minimal increase of our expenses. In order to contain membership fees, certain events are priced to generate additional revenue.

I am pleased to report that, based on preliminary numbers as presented by our Treasurer, in the current year our revenue is expected to exceed expenses by approximately $10,000 bringing the Club's surplus to approximately $85,000.

During the year, the Club set aside $13,000 as its contribution to the Empire Club Foundation for publication of the yearbook. In addition, proceeds of approximately $10,000 were generated from a successful Empire Club Foundation Spring Ball.

The financial statements for the year ending April 30, 1987, will be presented to the Board of Directors at their May meeting. The audited financial statements will be published in the 1986-87 yearbook.

Empire Club Foundation

Colonel Robert H. Hilborn deserves our gratitude for his work as the Foundation's president, who, with his 16 directors, masterminds the fund-raising to underwrite the costs of the annual yearbook of speeches, which is printed by Griffin House and bound and mailed by Best Publishing. Maclean Hunter generously provides a copy editor gratis. The publication's total cost ranges between $35,000-$50,000.

Innovations

This year, the following changes were implemented on a trial basis:

—Newsletter added to weekly notice mailings

—Volunteers from members-at-large to assist with secretarial and editing services.

—added a media representative at each head table

—acquired videotape recordings of speakers (Rogers Cable TV dubs)

—Held a new members' reception (January 15)
—Reserved tables for new members and non-smokers at luncheons
—Lighter luncheon menu on occasion
—Established long-range planning committee
—Replaced podium microphones with better models
—Arranged for future reduction of photo assignments
—Questionnaires to 4,500 libraries re: yearbook's binding and use (appreciation to the 1,000-plus respondents)
—Questionnaires to all members re: Club activities. (My thanks to the 350 respondents for their valuable opinions.)

In Memoriam

The year has been tinged with sadness. Last June, one of our distinguished directors, Bruce Rankin, O.C., former Ambassador to Japan, lost a brave battle with cancer, and we have mourned his passing and miss his presence.

In January, our sympathies went to our Honorary Chairman, the Rt. Hon. Roland Michener, P.C., C.C., C.M.M., C.D., Q.C., at the time of his wife's death. She was a devoted member of our Club.

Appreciation

The role of the President is to manage and to communicate. Speaker selection, preparation and distribution of information materials, alerting media and special interest groups, head table invitations, speaker introductions and planning details of the meetings are the week-by-week responsibilities which make the Club a foremost public affairs platform in Canada.

The work is accomplished by the team of Club executives, directors, past presidents and volunteers—co-ordinated by our administrator Anne Lato and the Royal York Hotel staff. We aim to maintain the high standards of fraternity and protocol at all the events, and today the media have become an important part of our audience. Rogers Cable 10 television crews have provided us with excellent service, and CJRT-FM

Radio broadcasts our speakers each week. We are delighted to continue our relationship with these communicators and with the hundreds of other media who gives us wide-ranging coverage.

I would like to take this opportunity to thank all those directors, past presidents and volunteers who have alleviated the workload by their valued contribution of time, talent and energy. Those stalwarts deserving special recognition are: Diana Chant, our Treasurer; Bud Hoffman, our "Prince of Protocol"; Gordon Steele, our current affairs librarian with a passion for press clips and tape recorder; Carlyle Dunbar, Craig Ivory and Minette Ross for their communications skills; Dr. Clarence Crummey and his gallant crew who man the portals each week; Monty Larkin and Paul Clark, connoisseurs of head table selection; Selene Smith, for voluntarily transcribing hours of tape and Ida Plaskett for her editorial help with the yearbook.

I am indebted to everyone on the Empire Club team, and I consider it a privilege to have served as the second woman elected president, and look forward to continue as an active, involved past president. Thank you.

Respectfully submitted,

Nona Macdonald, B.A., A.P.R.
President

Nona Macdonald moved acceptance of the annual report, seconded by Diana Chant, then called upon the Immediate Past President and Chairman of the Nominating Committee, Harry Seymour, for the report of the Committee.

Harry Seymour:

Madame President, distinguished guests, members and friends of The Empire Club of Canada: It is my pleasure, as Chairman of the Nominating Committee, to report on the work of that committee which was constituted, in accordance with Article III of The Club's Constitution, of these members:

From the Board of Directors:
Mr. Blake Goldring
Mr. Ronald Goodall, F.C.A.
Mr. Montague Larkin
Mrs. Margaret Scrivener and
Mr. Harry Seymour

From the Membership at Large:
Mr. Peter Hermant
Col. Robert H. Hilborn, L.V.O., M.B.E., C.D.
Mr. Henry N.R. Jackman
MGen. Bruce J. Legge, C.M.M., D.St.J., E.D., C.D., Q.C.

Our President, Ms. Nona Macdonald, served on the committee in an ex-officio capacity.

The Nominating Committee is pleased and privileged to report that the Honorary Officers of The Club for the 1987-88 season will be:

Honorary President
Her Excellency the Rt. Hon. Jeanne Sauve, P.C., C.C., C.M.M., C.D., Governor General of Canada
Honorary Vice President
The Hon. Lincoln M. Alexander, P.C., Q.C., K.St.J., B.A., Lieutenant Governor of Ontario.
Honorary Chairman
His Excellency the Rt. Hon. D. Roland Michener, P.C., C.C., C.M.M., C.D., Q.C.
Honorary Chaplain
The Very Rev. Ernest M. Howse, S.T.M., Ph.D., D.D., Litt.D.
Honorary Associate Chaplain
The Rev. Harold F. Roberts, C.C., B.A., M.Div., A.deC.
Honorary Secretary
Dennis Flynn, Chairman, Metropolitan Toronto
Honorary Treasurer
Hartland M. MacDougall, C.M., Chairman of the Board, Royal Trustco Limited

Honorary Solicitor
  The Hon. Wm. G. Davis, P.C., Q.C.
Honorary Assistant Secretary
  W. Malcolm McIntyre
Archivist
  Leland H. Ausman

The Nominating Committee is pleased to report that Mr. Willis L. Blair, currently 2nd Vice President of the Club, will assume the position of Secretary and that Mrs. Diana Chant has agreed to continue as the Club's Treasurer.

According to our Constitution, "the Board of Directors shall consist of forty members, including at least four Past Presidents of The Club, one of whom shall be the Immediate Past President and the three others shall be the three Past Presidents immediately preceding the Immediate Past President."

Therefore, in recognition of this Constitutional requirement the Committee nominates: the Immediate Past President, Nona Macdonald; and also Harry Seymour, Catherine Charlton and Douglas Derry.

Furthermore, the Nominating Committee recommends unanimously that the following members of the Board of Directors continue to serve in the coming year:

Setrak Adourian
John A. Campion
Jean Casselman-Wadds
Wendy Cecil-Cockwell
Dr. Clarence C. Crummey, M.D., F.C.F.P.(C)
Ross DeGeer
Carlyle Dunbar
E. John Freyseng, Q.C.
Blake C. Goldring
Chas. C. (Bud) Hoffman
Peter G. Kirkham, Ph.D.
James G. Laidlaw
The Hon. Daniel A. Lang, Q.C.

Montague Larkin, C.A.
John P. MacBeth, Q.C.
Michael A. Meighen, Q.C.
Dr. James A. Parish
Leslie C. Parkinson
Angus Scott
Margaret Scrivener
Lindsay K. Shaddy
Gordon G. Steele, M.Com.
Henry E. Stewart
Col. Garry S. Thomson, C.D.
Robert Watt

Your Nominating Committee is pleased to nominate unanimously the following *new* members for the Board of Directors:

James Roos Breithaupt, Q.C.
Chairman, Ontario Law Reform Commission

Frederic L.R. Jackman, Ph.D.
President and Director, Invicta Investments Incorporated

David A. Lewis, S.M.
Chief Executive Officer and Director, Lloyds Bank Canada

Marcia McClung
Director of Communications, Harbourfront Corporation

Paul Rouleau
Barrister & Solicitor, Partner,
Cassels Brock & Blackwell

Donna Scott
Publisher of "Flare", Canada's National Fashion Magazine.
(Maclean Hunter consumer publication)

Anthony A. van Straubenzee
Management Consultant and President, van Straubenzee
Consulting Corporation

In addition to the above-mentioned nominees, your Committee also recommends the election of the Board of the following three persons who will be proposed to the Board of Directors for appointment to the posts of Vice-President:

1st Vice President
The Hon. Barnett J. Danson, P.C.

2nd Vice President
John D. Herrick

3rd Vice President
J.A. William Whiteacre, M.M., C.D., Q.C.

Finally, your Committee is pleased to nominate for the Presidency of The Empire Club of Canada for its 1987-88 season, Mr. Ronald Goodall.

Mr. Goodall, a partner in the chartered accountancy firm of Goodall and Peacock, was born in London, England and emigrated to Canada prior to launching his business career.

Mr. Goodall's experience with The Empire Club of Canada includes 10 years as Treasurer prior to joining the Board of Directors a few years ago. His strong financial skills have served The Club well over these many years, so much so that his associates at The Empire Club Foundation recently saw fit to elect him as Treasurer of that august group. His varied education and his sense of humour have prepared him well for the task that lies before him. To quote from his curriculum vitae, Mr. Goodall, "emigrated to Canada with $50.00 seeking job, fortune and adventure: Met fortune and adventure in one Marie Elizabeth Adrienne Graciette Guilbault: Fortune soon dissipated: Adventured ceased: $50.00 spent: Found job."

Mr. Goodall is a member of (1) Chartered Accountants of Ontario and (2) Quebec Order of Chartered Accountants: He was elected a Fellow Of Institute of Chartered Accountants in 1985. In addition to his business and Empire Club responsibilities he finds time to be a member of the Board of Trade Club, Royal Commonwealth Society and The Canadian Institute of International Affairs.

Ladies and Gentlemen, I am honoured to place Mr. Goodall's name in nomination for the presidency of The Empire Club. Your Nominating Committee is confident that he will provide the able leadership that has been characteristic of this Club since its founding.

This concludes the report of the Nominating Committee.

Harry Seymour moved acceptance, seconded by Dr. Clarence Crummey.

There being no further nominations, Willis Blair moved that nominations be closed. Seconded by Gordon Steele.

Nona Macdonald

I now ask our Acting-Secretary, William Whiteacre to cast a single ballot in favour of those persons named in the Report of the Nominating Committee.

> **William Whiteacre**
>
> "Madame President, as Acting-Secretary and under the terms of Article III - 3 of the Constitution of The Empire Club of Canada, I hereby cast this single ballot in favour of those persons named in the Report of the Nominating Committee."

Nona Macdonald

I now declare those members properly elected as Directors of The Empire Club of Canada for 1987-88.

At this moment I would like to thank all the outgoing directors for their contribution to the Club, and encourage them to remain loyal and active in the Club for years to come.

And now it is my pleasure to call upon our President-Elect Ronald Goodall to come forward to receive the Chain of Office thereby installing him as our new President. Congratulations. I look forward to the continuity you bring to the office, and to working with you in the coming year.

Please take the chair, Mr. Goodall, as our new president.

Ronald Goodall

Madam president, Mr. Minister, Mr. Consul General, distinguished head table guests, distinguished past presidents, members and friends of The Empire Club.

I cannot help but observe Madam President, that with the addition of each new past president's name to this chain of office, the heavier the load of presidency becomes.

Thank you, Harry, and your nominating committee for selecting me President-elect for 1987/1988, the Club's 85th year. I am grateful for this honour and privilege and am challenged by this opportunity to continue my service to the Club.

I face the awesome prospect, Nona, of trying to continue the thrust of those new good ideas that you have brought to the Club and to maintain the magnificent parade of speakers and events that you have given us: the businessman, the politician, the musician and the artist. We have heard the steel drums and we have seen Charles Pachter's moose. We are in your debt.

We must record also our gratitude to one William Heaslip, your husband, for the obvious consideration, patience and support that a president must have from his or her spouse. As the old saying goes, behind every successful woman stands a man.

If you would forgive me, I cannot help but reminisce today and remember Ernest Miles, a devoted secretary to this Club. Ernie left us some years ago but by introducing me to this Club he changed my life in a way he may not have imagined possible. I thank him for it.

Planning for the future season is well under way. The reputation of this Club ensures the continuation of the high quality and calibre of speakers to which the Club is accustomed. Canada Day will be celebrated on June 25 with The Royal Commonwealth Society. Historian Mike Filey will take us back in time to old Toronto. Confirmed and interested speakers to date will discuss the arts, education, the multinational company, Wall Street and other topics.

Mr. Goodall requested and received approval of the Signing Officers for 1987-88.

MEMBERSHIP 1986-1987

Life Members

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Setrak Adourian
J.D. (Douglas) Alexander
John P. Alexander
William N. Allan
Dr. Blandford M.E. Allan
Graham H. Ambrose
Donald S. Anderson
B.Gen. & Mrs. S.F. Andrunyk
Leland H. Ausman
Ruby P. Avison

Victor V. Bagnato
John Bassett
Mr. & Mrs. Ian S. Baxter
S.E. Beare
D.S. Beatty
M.E. Louise Beck
Everton R. Belyea
Ferne Bennett
Dr. R.C. Bennett
Douglas W. Best
Bruce Birrell
Willis L. Blair
Norman Borins
R.L. Broad
F.B. Brooks-Hill
Arthur E. Brown
E.T.C. Burke

W. Allan Campbell
David Carpenter
Ernest P. Carr
Charles Carter
Sir Arthur R.T. Chetwynd
Samuel Ciglen
James L. Clare F.S.A., F.C.I.A.
Walter W. Comber
Eleanor Cook
Geo. A. Corey
Benedict G.R. Cotterill
Lt.Col. John A.D. Craig
Dr. H.V. Cranfield
Nola Susan Crewe
Dr. & Mrs. C.B. Crummey
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T.E. Curry

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Fraser Deacon Sr.
Elvio Del Zotto
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Mr. & Mrs. D.L. Derry
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A.A. Duncanson
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Federico Friedberg
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Graham Gore
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J. Rennie Graham
Wayne Scarisbrick Gray
John W.F. Griffin
Ian Griffin
Robert Glenn Groom

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E.H.P. Hamilton
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Henry N.R. Jackman
John Jervis
John M.P. Joel
Norman M. Johnston
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Friederich W. Jung

Elfreda W. Karn
William M. Karn
John Kemp
F. Marion Kiddell
Christopher C. King
Rev. Sterling Kitchen

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Col. Wm. R. Learmonth
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Sydney G. Webster
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Walter James R. Wilson
Sydney Winkler
G.D. Wotherspoon
John L. Wright
Koichiro Yamaguchi
Andrew Stephen Zarnett

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Elizabeth Addy
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William James Berry
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Sarmite D. Bulte
Pearce Bunting
Yovhan Burega
H.T. Burgess
Richard E. Burgess
R.W. Burgess
C. Robert Burgess
Grover C. Burgis
F.S. Burnard
Paul A. Burnes
Hazel Burns
Jeffrey Burns
Leslie G. Burns
D.M. Burns
Grant Burns
E.G. Burnside
M.B. Bursey
Lt.Col. G.A. Burton
Theda A. Burton
Merrill Burton
Eleanor J. Burton
Richard S. Buski
S.L. Butkovic
David G. Butler
Frank Butler
James E. Butler
B. Mae Byrne, C.A.
Thomas P. Byrne

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Doug Caldwell
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Lt.Col. A.G. Cameron
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A. Cane
E.F. Cann
Georgina Cannon
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N.R. Cappe, Q.C.
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K.H.J. Clarke
Peter J. Clarke
Max B.E. Clarkson
John H.C. Clarry
Claus Clausius
J.B. Clements, Q.C.
Major. F.N. Clifford
Tom Clifford
Sara Clodman
Helen J. Cochrane
Margaret Cocks
Wendy Cecil-Cockwell
J.M. Wayne Code
Noel Cogdon
J.H. (Harry) Cogill
Matthew Cohan
John C. Cohen
Robert E. Coldwell
J.A. Collins
Arthur J. Condliffe
J.C.P. Conrad
G.A. Cook
John H. Cook
David M. Coomber
Clive Coombs
Virginia Cooper
David R. Cooper
S.C. Cooper
Bill Copland
William A. Corbett, Q.C.
Lily Corewyn
E. Kendall Cork
J. George Corn
His Honour Judge F.J. Cornish
Alan H. Cornwall
W. Dale Cosburn
Joan M. Costa
Val Costa
G.G. Cotnam
Peggie Coulter
Shirlene Courtis
Jean-Paul Cousui
James D. Coutts
W.D. Cowan
Jim Cowan
Anthony L. Cox, C.A.
John Cozens
Lawrence S. Crackower, Q.C.
Robt. F. Craft
John William Craig
Roy W. Craik
Timothy A. Cranfield
J.H. Crang
L.Col. J.D. Crashley, C.D., C.M.
Paul F. Crath
R.W. Crawford
David C. Crawford
Rein W. Crecelius
J. Douglas Creighton
M. Cremer
Linda L. Cress
J.S. Crichton
R.J. Crichton
F. Martin Crispo
The Hon. David A. Croll
Mary E. Crompton
E.A. Cronk
Diana M. Crosbie
W.B. Cross
W.T.D. Cross
Katharine Crossgrove
Anthony K. Crossley
Hugh Crosthwait
Stanley Crow
Noel Croxon
Dorothy Cruickshank
Rita Culnan
Robert Culumovic
Joseph M. Cumming
Dr. Verna Curran
Valman N. Czegledy

Thomas P. D'Aquino
Desmond D'Silva
Timothy Daciuk
Pauline Dale
R.G. Dale, D.S.O., D.F.C., C.D.
Paul Dale
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Rima A. Danielius

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Cheryl Davey
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S.J. Davidson
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Marjorie Daw
D.M. Dawson
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Domenico De Masi
Harold B. Dean
M. Bruce Deans
Victoria V. Decipulo
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John E. Deeks
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Patricia A. Delaney
Pamela Delaurier
Pat Delbridge
Doris Delong
Robert L. Denault
Dr. F. Ronald Denham, C.M.C.
Susan Diane Denman
Grace Denney
The Hon. Judge
Derek Mendes Da Costa
Marcel A. Desautels
Ian R. Dever
Dr. Douglas Devnich
Mary Di Tursi
Arlene Dick
A. Dickinson
Nicholas E.J. Dietrich
Molly Diggins
John G. Dimond
Stephen F. Dineley
Robert B. Dobson
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Auditor's Report

To the Members of
The Empire Club of Canada

We have examined the balance sheet of The Empire Club of Canada as at 30 April 1987 and the statements of members' equity and revenue and expenditure for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Club as at 30 April 1987 and the results of its activities for the year then ended in accordance with the accounting principles as set out in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

DUNWOODY & COMPANY
Chartered Accountants

Toronto, Ontario
10 June 1987

Financial Report

THE EMPIRE CLUB OF CANADA

Balance Sheet as at 30 April 1987

Assets	1987	1986
Current		
Cash and short term deposit receipts	$ 186,535	$ 158,370
Accounts receivable	3,324	2,868
Inventory	–	261
	189,859	161,499
Fixed Assets	1	1
	$ 189,860	$ 161,500

Liabilities		
Current		
Accounts payable	$ 28,605	$ 24,545
Due to The Empire Club Foundation	43,141	33,490
Membership fees and luncheon tickets paid in advance	7,783	5,349
	79,529	63,384

Members' Equity		
Life Membership Reserve, note 2	24,450	23,750
Surplus	85,881	74,366
	110,331	98,116
	$ 189,860	$ 161,500

Significant Accounting Policies, note 1
Commitment, note 3

Approved on behalf of the Board

NONA MACDONALD
President

RONALD GOODALL
1st Vice President

Financial Report

THE EMPIRE CLUB OF CANADA

Statement of Members' Equity
For the Year Ended 30 April 1987

	1987	1986
Surplus, Beginning of Year	$ 74,366	$ 56,637
Transfer to life membership reserve	(700)	(2,450)
Excess of revenue over expenditure for the year	12,215	20,179
Surplus, End of Year	85,881	74,366
Life Membership Reserve, Beginning of Year	23,750	21,300
Transfer from surplus, note 2	700	2,450
Life Membership Reserve, End of Year	24,450	23,750
	$ 110,331	$ 98,116

Financial Report

THE EMPIRE CLUB OF CANADA

Statement of Revenue and Expenditure
For the Year Ended 30 April 1987

	1987	1986
Revenue		
Membership fees	$ 59,102	$ 74,268
Luncheons – net	28,904	26,660
Interest	10,666	9,945
Others – net	7,844	7,557
	106,516	118,430
Expenditure		
Members' notices	24,643	27,308
Office salaries and employee benefits	26,063	25,408
Yearbook donation and sundry expenses	11,688	13,494
Publicity and promotion	2,286	1,956
Printing, stationery and postage	8,355	9,288
Rent	8,907	8,238
Meetings	805	650
Office and general	9,966	10,656
Telephone	1,588	1,253
	94,301	98,251
Excess of Revenue Over Expenditure		
For the Year	$ 12,215	$ 20,179

Financial Report

THE EMPIRE CLUB OF CANADA

Notes to Financial Statements
For the Year Ended 30 April 1987

1. *Significant Accounting Policies*

   The following is a summary of significant accounting policies of the Club:

   (a) Revenue Recognition

   Membership fees for the club are recorded on a cash basis except fees relating to the next fiscal year are deferred. All other revenues are recorded on the accrual basis of accounting.

   (b) Inventory

   Inventory is valued at the lower of cost and net realizable value.

   (c) Fixed Assets

   Fixed assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as an office and general expenditure in the year acquired.

   (d) Due to The Empire Club Foundation

   A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year. The balance represents the estimated costs of unpublished yearbooks.

2. *Life Membership Reserve*

   Term deposit receipts are segregated as funding for this reserve in order to provide a continuing income to sustain the membership costs of life members. The reserve has been increased by $700 (1986 - $2,450) in the current year to allow for increases in the life membership roll.

3. *Commitment*

   The Club occupies office space which it shares with another society under a lease agreement expiring 30 September 1987 at a rental to be increased annually by 7.75%.

4. *Incorporation*

   The Club was incorporated under letters patent in the Province of Ontario on 26 March 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

The Empire Club Foundation

PRESIDENT'S REPORT

The President
Colonel Robert H. Hilborn, L.V.O., M.B.E., C.D.

It is an honour to report as President of The Empire Club Foundation for the year ending 30 April 1987.

Since 1903 The Empire Club Yearbook has recorded annually the speeches delivered to The Club and has been distributed without charge to over 4,000 educational libraries in Canada. We are a registered charitable foundation and we are greatly indebted to our Patrons, Endowment Benefactors, Benefactors and Donors for their generous annual contributions. These enable us to fulfill our mandate.

The achievements of the Foundation in its 1986-1987 year were due, in great measure, to the strong voluntary support of its officers and directors. It is through their dedicated assistance that we are able to continue to publish and distribute our unique and celebrated Yearbook, now in its eighty-fourth year. We are particularly appreciative of the guidance and efforts of John W.F. Griffin, the founding president of the Foundation who serves as chairman of the Publication Committee.

We congratulate Nona Macdonald on her outstanding year in the presidency of the Club, and on the signal success of the Empire Club Spring Ball, the proceeds of which assist the work of the Foundation.

Primarily, we thank all who personally and corporately contributed to the good works of the Foundation for their benevolence.

The Empire Club Foundation

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Legge & Legge
Lilaura Fashions Ltd.
Mr. John MacNaughton
Mr. Bruce MacPherson
Mr. Dennis Madden
Mr. Frank F. McEachren
MacLaren Advertising
Ms. Martha MacTavish
McMaster & Meighen
Morguard Investments Ltd.
Mr. John McGinnis
Rabbi Dr. David Monson
National Data Corporation of Canada Ltd.
National Life Assurance Company
Mr. Gerald B. Nicholas
North York Chev Olds Ltd.
Mr. & Mrs. Wm. McGuigan
Ontario Police Commission
Osler Hoskin & Harcourt

Osler Inc.
Mr. Ian Outerbridge
Mr. & Mrs. C.B. Paterson
Peoples Jewellers Ltd.
A. Rosenthal Jewellery Ltd.
Royal Bank of Canada
Ms. Donna Scott
Mr. Angus Scott
Mr. D. Scott
Ms. Margaret Scrivener
Mr. Ian Sellors
Ms. Selene Smith
Mr. W. Peter Smith
Mr. William A. Stewart
Mr. A.K. Stewart
Mr. Bruce G. Taylor
Mr. John Thompson
Thorne Ernst & Whinney
Mrs. H.D. Thornton
Top Flight Personnel Ltd.
The Torgan Group
Mr. Paul Tutsch
Mr. William M. Tymchuk
UBS (Canada)
Mr. John H. White
Mr. W.P. Wilder
Mr. Harry Worsley
Mr. John Yaremko

BEQUESTS TO THE FOUNDATION

This Yearbook of the Empire Club of Canada is published by The Empire Club Foundation which is recognized by the Department of National Revenue as a charitable foundation for tax purposes. Over four thousand copies of the Yearbook are distributed free of charge to educational libraries.

Please remember the Foundation in your Will to enable it to carry on the uniquely Canadian, patriotic and historic work of the Foundation. The following form of bequest is recommended.

> "I give and bequeath to The Empire Club Foundation, a Canadian charitable organization, registered under Section (27) of The Canadian Income Tax Act, with offices at 100 Front St. West, Toronto, Canada M5J 1E3 the sum of $__________ to be used for its general charitable purposes."

For enquiries, please call the Empire Club of Canada at telephone number (416) 364-2878.

The Empire Club Foundation
100 Front Street West
Toronto, Ontario M5J 1E3

Honorary President; The Rt. Hon Roland Michener, P.C., C.C., Q.C.
President: Robert H. Hilborn
Vice-Presidents: H.N.R. Jackman; R. Bredin Stapells, Q.C.; R.W. Lewis
Honorary Treasurer: John D. Herrick
Past Presidents: Bruce J. Legge, Q.C.; John W.F. Griffin
Directors: Robert L. Armstrong; Warren Armstrong; Sarah A. Band; Paul D.J. Clark; C. Warren Goldring; Peter Hermant; Peter W. Hunter; Arthur J. Langley; Nona Macdonald; Hartland M. MacDougall; John A. MacNaughton; Frank F. McEachren; David G.C. Menzel, Q.C.; Harry T. Seymour; John M. Thompson; Lynton R. Wilson

Registration Number 0353532-21-13

Auditor's Report

To the Members of
The Empire Club Foundation

We have examined the balance sheet of The Empire Club Foundation as at April 30, 1987 and the statement of income and expense and members' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of The Empire Club Foundation as at April 30, 1987 and the results of its operations for the year then ended in accordance with the accounting principles outlined in Note 2, applied on a basis consistent with that of the preceding year.

SMITH, NIXON & CO.
CHARTERED ACCOUNTANTS

Toronto, June 23, 1987

Financial Report

THE EMPIRE CLUB FOUNDATION

Balance Sheet as at April 30, 1987

	1987	1986
Assets		
Current Assets		
Cash and term deposits	$ 55,582	$ 17,453
Accounts and interest receivable	825	–
Due from Empire Club of Canada	43,140	33,490
	$ 99,547	$ 50,943
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 80,478	$ 42,783
Members' Equity		
Equity	19,069	8,160
	$ 99,547	$ 50,943

Signed on behalf of the Board

ROBERT H. HILBORN
JOHN D. HERRICK
Directors

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION

Statement of Income and Expense and Members' Equity
For the Year Ended April 30, 1987

	1987	1986
Income		
Donations:		
Empire Club of Canada	$ 10,704	$ 10,960
Supporters	35,241	21,113
The Empire Ball	11,859	12,962
Interest	2,812	270
Book Sales	50	–
	60,666	45,305
Expense		
Yearbook (Note 3)	49,550	61,317
Stationery, postage and other expenses	207	1,280
	49,757	62,597
Excess of Income Over Expense (Expense Over Income) For the Year	10,909	(17,292)
Members' Equity - Beginning of Year	8,160	25,452
Members' Equity - End of Year	$ 19,069	$ 8,160

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION

Notes to Financial Statements
For the Year Ended April 30, 1987

1. *The Foundation*

   The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to the Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Accounting Policies*

   The Foundation includes donations in income when received except for donations from the Empire Club of Canada which are included in income when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

3. *Yearbook Expense*

   As a result of a redesign of the yearbook, actual costs of the 1984 - 1985 yearbook exceeded estimated costs by $18,897. This amount was included in yearbook expense for the year ended April 30, 1986.

SMITH, NIXON & CO.
CHARTERED ACCOUNTANTS

Constitution

As amended April 26, 1973

ORGANIZATION OF THE CLUB

ARTICLE I

Name

1. The name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members
   All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminable at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds majority of those present at a meeting of the board of directors. Life members shall pay such a

fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.[1] Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organization shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors

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[1] *By resolution of the Board, November, 1981, and under Article II, 4, of the Constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.*

who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at any hour place to be named, and of such regular meeting, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice President, a President, First, Second and Third Vice Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occuring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   (a) Budget and Finance Committee
   (b) Speakers' Committee
   (c) Membership Committee
   (d) Constitution Committee
   (e) Reception Committee
   (f) Publicity and Public Relations Committee
   (g) Yearbook Committee
   (h) Head Table Committee
   provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings of members shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The

accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

The Empire Club of Canada

83rd Year Past Presidents' Dinner

Royal Canadian Military Institute January 20, 1987 7:30 p.m.

To honour THE PAST PRESIDENTS OF THE CLUB and HARRY T. SEYMOUR, Immediate Past President

Programme

Vice Regal Salute

Chairman

Nona Macdonald
President

Grace

Montague Larkin

Loyal Toast

The Rt. Hon. Roland Michener, P.C., Q.C.

Greetings on behalf of Her Majesty Queen Elizabeth II

The Honourable Lincoln M. Alexander, P.C., K.St.J., Q.C., B.A., LL.D., Lieutenant-Governor of Ontario and Honorary Vice-President, The Empire Club of Canada

Canada and the Commonwealth

Judge Marie Corbett

Response

Henry N.R. Jackman

The Empire Club of Canada and its Past Presidents

Michael A. Meighen, Q.C.

Response

Harold V. Cranfield, M.D., F.R.C.P.(C)

Salute to the Guest of Honour

Margaret Scrivener

Presentation to the Guest of Honour

Nona Macdonald

Response

Harry T. Seymour

The Empire Club of Canada

82nd Year Past Presidents' Dinner

Royal Canadian Military Institute — January [illegible] [illegible] p.m.

In honour [illegible] PAST PRESIDENTS OF THE EMPIRE CLUB [illegible]
[illegible] Q.C., Immediate Past President

[illegible]

[illegible]

[illegible]
[illegible] Macdonald
President

Grace

[illegible]

[illegible]

The Rt. Hon. [illegible], P.C., Q.C.

[illegible]
[illegible]
[illegible] of the Empire Club of Canada

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible] Macdonald

[illegible]

[illegible]